



THE INDEPENDENT

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Part 3: How do they get what they want

A new cure for chronic fatigue?

Why sufferers are up in arms

Ministers reject calls to slaughter cattle as Europe announces a total ban

Ministers try to tough out beef crisis

DONALD MACINTYRE
Political Editor

Moistors yesterday resisted pressure to slaughter several million cattle amid signs that they were still hoping to tough out the BSE crisis despite the announcement of two more cases of CJD and further bans on British beef.

Stephen Dorrell, Secretary of State for Health, told the Commons yesterday that he would not be issuing new advice to parents to withhold beef from their children and mounted a robust attack on Labour "scaremongering" over the crisis.

While senior ministers resisted calls for drastic action problems worsened elsewhere. A ban on British beef throughout Europe was confirmed and Burger King joined McDonald's in banning British beef although the chain said hamburgers from home-produced beef would remain on sale until Saturday.

Cattle markets around the country were empty with buyers not even bothering to turn up and, in the City, while markets initially breathed a sigh of relief there was a sense that the crisis had not peaked.

Statements by Mr Dorrell and Douglas Hogg, Minister of Agriculture — the second within a week — followed a meeting of Cabinet ministers chaired by the Prime Minister at which they rejected, for the immediate future at least, the solution canvassed by Mr Hogg on Sunday of killing up to 4.5 million cows. Their statements were completed before yesterday's announcement from Brussels that EU veterinary experts were demanding a total ban on British

beef — described by Mr Hogg as "unacceptable" — and Mr Hogg was careful not to rule out further measures to restore confidence in the market. The EU ban also covers processed food such as stock cubes, soups, drinks, sweets and gelatines which contain beef extract.

Fortified by a statement from the Government's scientific advisers making no further recommendations for action, and daunted by the potentially huge public expenditure costs in compensation for farmers of a

large-scale cattle cull, the ministers stuck by their insistence that the risk from BSE-infected cattle remained "extremely small". Mr Dorrell said that on the basis of expert advice he was not ordering schools to take beef off menus — while pointing out that choice would be available to school pupils.

"SEAC — the Spongiform Encephalopathy Advisory Committee — in a report delivered to ministers yesterday, said that af-

ter consulting leading outside experts they had concluded that "infants and children are not likely to be more susceptible" to any human infection resulting from BSE.

SEAC repeated that in the absence of any credible alternative the most likely explanation for 10 cases of CJD was a link to exposure to BSE. But it added: "It is not in a position to confirm whether or not there is a causal link between BSE and human disease."

Whitehall sources suggested last night that Mr Hogg continued to press the case for a cull in the 11.8-million national herd at yesterday's meeting, but this was resisted by a powerful coalition of ministers who pointed both to the destabilising potential costs of such an operation and the fact that the scientific advisers had not made any such recommendation.

Both Michael Heseltine, the Deputy Prime Minister, and Brian Mawhinney, the Tory Party chairman, argued that the SEAC report did not justify such action. And although Kenneth Clarke, the Chancellor, arrived at the meeting fresh from an overnight flight from Africa, not fully briefed on the crisis, the Treasury is understood to have objected strongly to a measure which would threaten substantial increases in the Public Sector Borrowing Requirement and the Government's commitment to tax cuts.

Both Stephen Dorrell, the Secretary of State for Health, and Douglas Hogg, the Agriculture Minister, insisted, however, that any risk of developing CJD from eating British beef was "extremely low" and said there were no plans to take it off school menus.

The ows of the new cases

came from Professor John Pattison, chairman of the expert committee Seac, which spent last weekend deliberating on the risk to humans from bovine spongiform encephalopathy (BSE). It finally decided that there was no extra risk to children from the agent that causes BSE.

However, Professor Pattison revealed a widening gap between the increasing uncertainty within the committee about the dangers posed by BSE and the certainty expressed by ministers. Asked whether red meat was safe to eat, he said: "There is no evidence in cases

of BSE infection in muscle... but there are limits to the sensitivity of the tests so in our calculation we can only stay within limits of the tests."

Inquiries by the *Independent* have also established that the Department of Health and the Ministry of Agriculture, Fisheries and Food (MAFF) still cannot answer the two key questions central to the current crisis.

Asked yesterday whether a single mouthful of infected beef could be enough to pass on the disease, or whether the effects were cumulative, both departments said they did not know —

though MAFF said that a single meal of infected feed was sufficient to cause BSE in cattle.

Asked whether the public could be sure that any risk of an epidemic of CJD caused by BSE-infected food was over, the answer was also that they did not know.

The latest work over a

possible link between CJD and BSE has been raised by the Surveillance Unit in Edinburgh, which noted 10 cases in the past two years, striking people at an unusually young age — 27 years old on average, rather than 63, as in previous cases of CJD. Seac concluded that the best explanation for the 10 cases — from the total of 90 who developed CJD in Britain in the past two years — was exposure to BSE-infected material before 1989. Some scientists had feared that this might mean that young people were especially susceptible to the development of CJD. However, Mr Dorrell told the House of Commons that Seac had concluded that "infants and children are not likely to be more susceptible to [BSE] infection than are adults". In the light of this, there was "clearly no reason for the Government to advise local education authorities to remove beef from school menus".

Workers wait in vain at Hereford's cattle market yesterday after no livestock were brought in for sale

Photograph: Russell Seach/Newsbeam

Two more CJD deaths reported

CHARLES ARTHUR and **LIZ HUNT**

Two more people are suspected to have died from the virulent new strain of CJD that has been linked to beef infected with mad cow disease, government scientists said yesterday.

Both Stephen Dorrell, the Secretary of State for Health, and Douglas Hogg, the Agriculture Minister, insisted,

however, that any risk of developing CJD from eating British beef was "extremely low" and said there were no plans to take it off school menus.

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Westminster criticised over 'asbestos' flats

CHRIS BLACKHURST
Westminster Correspondent

Police have banded a damning independent report which criticises the former Conservative leaders of Westminster City Council in London for housing homeless families in two tower blocks riddled with potentially lethal asbestos.

Jonathan Pennington, a spokesman for the housing association which is building new homes on the site of the since demolished blocks and was itself a target for the Tories' politically-motivated policy, last night said it had handed the report to local police to see if the law had been broken.

Central to a police investigation would be the roles of Shirley Porter, the former Westminster leader, and Barry Wiggin, the Tory MP for Milton Keynes and once her right-hand man on the council.

Along with seven former colleagues, they are the focus of the "yes-for-votes" inquiry being conducted into the Tory flagship council by John Magill, the legal Auditor. Mr Magill is expected to recommend a string of those controlling or egged on by gerrymandering policies.

In due short order, the publication of yesterday's report by John Barratt, former chief executive of Bedfordshire County Council, was asked by the current leader of Westminster council, John Ashton, all

legally to have been entitled to assume that such risks were not being taken.

Tenants' time bomb, page 4

CIA 'backed Iraqi bombers'

PATRICK COCKBURN

The United States gave financial backing to an Iraqi opposition movement that planted bombs in Baghdad and other cities, killing more than 100 civilians, according to a key member of the group.

Abu Amneh al-Khadami, the chief bomb-maker of an Iraqi party, called the Iraqi National Accord, says that he planted car bombs and other explosive devices in Iraqi cities.

The US has long admitted funding covert operations to overthrow Iraq, spending \$15m (£10m) last year. Other Iraqi

opponents of Saddam Hussein say the Iraqi National Accord Party is sponsored by the CIA. This is confirmed by Abu Amneh who says a phone call from Washington got him out of jail last year, enabling him to start his bombing campaign. He quotes his superior officer as expressing the fear that "the Americans will cut off financial aid to us".

His disclosures come at an embarrassing moment for the US, which has just attended a high-profile summit in Egypt hammering state-sponsored terrorism. A follow-up meeting is planned for later this week.

In the Middle East, condemnation of Iran for supporting Hamas suicide bombers in Israel will be seen as hypocritical if there is no mention of the US role in Iraq.

A senior member of the Iraqi opposition says: "More than 100 civilians have been killed by the bombs in Baghdad in the last three or four years." He added that the bombers had "zero concern" for civilian casualties.

Abu Amneh gave his testimony about the bombing campaign in Baghdad in front of a video camera at his headquarters in the Kurdish city of Sulaimanyah, northern Iraq.

His motive was that he has not been paid for operations already carried out, as well as fears that he was being betrayed by his superior officer.

To justify his conduct he sent copies of the video to Iraqi leaders abroad, one of whom passed it to the *Independent*, saying he was disgusted by the needless violence it revealed. Abu Amneh explains in detail how he obtained the explosives and timing devices. He complains at one point that he had received only \$1,000, although "we blew up a car and we were supposed to get \$2,000."

US backed bombers, page 8

Modahl clears name on drugs

MIKE ROWBOTTOM
Athletics Correspondent

Diane Modahl yesterday won her 18-month battle to clear her name on a doping charge when the International Amateur Athletic Federation announced that they had dropped any case against her.

The former Commonwealth 800 metres champion had a four-year ban lifted by a British Athletics appeal panel last September, and international endorsement of that decision now means she can seek an Olympic place this year.

Modahl, 29, who is training in Albuquerque, New Mexico, with her husband and coach Vicente, reacted to the news with a mixture of delight, disbelief and anger. "It is still sinking in," she said. "We went the whole distance, we won. It is a tremendous relief."

But Modahl, who is now suing the British Athletics Federation for compensation after spending an estimated £50,000 on legal and scientific costs, added: "We have lost an awful lot on the back of this. We will ultimately lose our house because of this. It has been a cost

ly fight — and not just in financial terms. The mental strain has placed on myself, my husband and our friends has been enormous. I am very angry that it happened in the first place."

The IAAF Council, meeting in Cape Town yesterday, decided the Lisbon laboratory which originally found huge levels of testosterone in Modahl's urine sample after a minor meeting in Portugal two years ago had provided analytical data that was "not satisfactory". They took into account independent scientific evidence provided by Modahl to show that testosterone could be produced in urine samples which were not stored correctly. "We are delighted for Diane," said the BAF spokesman Tony Ward. "And if she decides to compete again internationally she will be welcomed back into our team."

Full report, Sport, page 24

IN BRIEF
Equal pay award
A woman who lost her job after claiming equal pay with a male colleague has accepted a £140,000 settlement. Page 3

£1m rugby claim
A rugby player is claiming £1m compensation from a referee and another player after he was paralysed for life. Page 3

Family Law Bill
The Government tried to placate Family Law Bill rebels, pledging to change the law to allow divorced wives a share of husbands' pensions. Page 7

Today's Weather
Cloudy and cold with an early wind. Section Two, page 29

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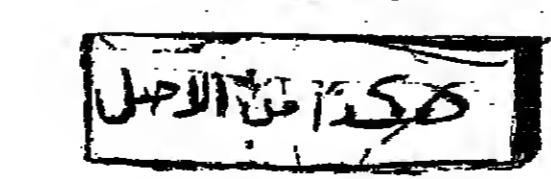
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THE BSE RISK

True-blue yeomen united in their resolve to quell the 'urban panic'



DAVID ARONOVITCH

With two more statements due on BSE and cows, some Tories entered the Commons contemplating the worst. Before their minds' eyes floated visions of those terrible bonfires, fed by the blackened, bloated carcasses of dumb animals. How many would be slaughtered—all of them? Or just those with majorities under 10,000?

Their morale was lifted by the first statement, from Stephen Dorrell, Secretary of State for Health. In an age when scientists themselves are increasingly reticent to claim too much,

Mr Dorrell is unfashionably convinced of their infallibility. Having met all weekend of the Advisory Council (consisting of large numbers ofologists, ionists and common or garden

-ists) had decided that there was no more risk to children from beef than there was to adults. So there we were. Science had spoken. All that remained was to allocate more money for more science.

Harriet Harman's role, by contrast, was that of champion of the consumer, and she played it perfectly. Her voice took on the querulous timbre of the pushy customer returning shoddy goods to a sleepy shop assistant. Why hadn't this been done? And what about that? Call this a government, she

certainly wouldn't be shopping here again, nor would any of her friends.

Throughout her speech Tory backbenchers showed her the traditional courtesies displayed by Englishmen of a certain age to women who argue with them. "Stupid cow," shouted Tony Marlow (Northampton N), as Graham Riddick (Coole Valley) and others guffawed assent. It was only one of many rudenesses, but Hattie ploughed on. Her act may not be pretty, but she certainly has guts.

Up spoke Sir Patrick Cormack (Staffordshire S). Wasn't

pet food. Tories giggled: were Fiji the poodle and Nefertiti the Siamese at risk? His colleague Angela Eagle (urban panic, Wallasey) claimed that the BSE business had "scared every member of the public".

"I prefer the scientific advice of a former Vice-Chancellor of Oxford University [Professor Southwood] to that of the honourable lady," said Mr Dorrell.

But don't be holding too much with them scientists warned Tory Theresa Gorman (resolute yeoman, Bassetlaw) contradicting the Secretary of

State. Eight years ago their patriotic warning over salmonella in "bad caused the death of over a million chickens", she said. All that unfulfilled potential, those eggs laid, those ovine novels unwritten. Tears streamed down the sentimental faces of many of those sitting around her.

Sir Anthony Grant (resolute yeoman Cambridge SW), his still-wet moustache bristling, condemned "the hypochondriacal hysteria" of the media. There was in Conservative Britain today, he said, a greater risk of being murdered or win-

ning the lottery than of dying from Creutzfeld-Jacob Disease. What everybody needed, he almost added, was a cold shower and a cross-country run. Followed by a good lunch.

His rubicund colleague Tim Yeo (Suffolk S) agreed. Condemning "hysterical over-reaction", he issued a portentous warning, "if the British beef industry is destroyed voters in those rural constituencies will know who to blame". And all of a sudden the Tories, who had begun to look a little more cheerful, relapsed into gloom.

Relations tense as EU shuts out British beef

KATHERINE BUTLER
Brussels

Britain's European partners yesterday formally closed the door on British beef and imposed an indefinite ban effective throughout the fifteen member states.

The trade boycott, which the EU agriculture commissioner, Franz Fischler, said would extend to exports of British beef and cattle to non-EU countries, was agreed by chief veterinary officers who outvoted Britain by fourteen to one. It will not affect meat on sale in British shops however.

The move confirms decisions by all but two of the EU countries to close their borders to British beef and cattle. It threatens to plunge already tense relations between the UK and its European Union partners into fresh crisis coming just days before a summit of EU leaders in Turin.

Britain's chief vet, Keith Meldrum, who argued vehemently against the ban, emerged from the day-long meeting to accuse his European colleagues of ignoring the advice of scientists.

French slaughter herd infected by British feed

MARY DEJEVSKY
Paris

A herd of 151 cows in northern Brittany was slaughtered yesterday after one of the herd was diagnosed as suffering from BSE; a second herd similarly affected is due to be slaughtered later this week.

The two cases, identified last month, bring to 16 the number of recorded BSE cases in France since 1989. All the French cases have been in Brittany and are blamed on contaminated feed bought from Britain before 1989, when imports were banned.

French specialists say they expect a few more isolated cases over the next two years, by which time all cows fed with British-produced feed will have been slaughtered. Thereafter, they say, there will be no more cases in France as beef cows rarely have a life expectancy of more than 10 years.

While the official message is one of confidence that French meat is of superior quality to British meat because sanitary controls are stricter and corners are not cut in its production,

"The proposal was rushed, unscientific and disproportionate", he said. "I am concerned that not enough time was given to this. The proposal is not properly scientifically based."

Mr Meldrum stressed that neither British nor European scientists had recommended such action. Furious British officials – who described the move as "ramshackle, hasty, ill thought out and having no basis in science" – said the ban also extended to cattle semen and embryos which even the European Commission acknowledged harboured no risk.

Other representatives said the atmosphere had been acrimonious. "There was a lot of strong feeling against Britain said one.

Anger in Brussels at the British government's handling of the crisis erupted into the open earlier. In a letter to the agriculture minister Douglas Hogg, Mr Fischler accused the government of failing to keep it informed. He suggested that London had triggered a Europe-wide beef collapse which may not have been necessary.

If the problem was as serious as it sounded, he wrote, then the

French officials, butchers and caterers have none the less gone out of their way yesterday to reassure French consumers. Although France remains the top beef consumer in Europe, consumption has declined by 10 per cent in the past five years, a fall attributed largely to its cost. Sales this weekend were described as "flat".

Meanwhile France continued to apply additional controls at ports to enforce its ban on British beef imports. A lorry carrying 18 tons of frozen beef liver destined for a Belgian company was turned back at Calais in the early hours of yesterday morning. Officials said that it was only the latest of many to be refused entry. They said they had also discovered consignments of beef concealed in lorries carrying predominantly lamb or veal.

Young Farmers' organisations in northern France say their members are acting as "detectives" in trying to track meat from Britain that might be arriving in France illegally. They are also visiting supermarkets to check on the origin of beef on sale.

French farmers and meat producers have come out in support of a labelling requirement, saying that a similar system they had planned to introduce the next six months could be implemented within days if necessary. There is considerable

Listen up: Stephen Dorrell, the health minister, whispers to colleague Douglas Hogg at yesterday's BSE press briefing. Photograph: Brian Bremner

Markets reports a stampede to avoid beef

At Hereford market, normally bustling on a Monday, the farming industry's worst nightmares were confirmed yesterday. Not a single wholesaler turned up and no cattle were sold.

Most farmers stayed away as well because the auctioneers had warned them of the impending disaster.

Monday is the town's main wholesale market of the week and usually about 200 prime cattle worth £150,000 to £160,000 are sold. Richard Grainger, managing director of the market, said: "It has been a complete disaster. Sellers kept their animals away but we assisted with that because we contacted

the prime buyers who all said they were not attending. We could not find one who was looking to buy any cattle so we told the farmers it was in their best interests to stay away."

The picture was the same elsewhere as the market for British beef collapsed in the wake of the BSE scare. A further blow for farmers came when Wimpy, the fast-food chain, followed McDonald's and took British beef off the menu at its 270 outlets.

Shoppers are avoiding beef in any form. Jerry Nathan, a salesman at the gourmet chain

Simply Sausages, said "beef sausage sales had fallen by about 60 per cent since the Government's announcement last week that infected beef might be linked to CJD, the human form of BSE. At Smithfield meat market in London prices for heifers, young female cows which are normally the most valuable cattle, were 37 per cent below those paid before the BSE scare began last week. But this estimate was based on a virtually non-existent market.

Traders at Smithfield said prices of imported beef had risen 25 per cent as sales of

home-grown beef ground to a virtual halt. Brian Howes, a meat cutter, said: "People are not buying beef for joy now money."

But in contrast wholesale prices of spring lamb increased by up to 50 per cent to 180p per pound. Poultry prices also leapt by 25 per cent to 80p per pound while pork was marked up 10 per cent to 75p per pound.

At the livestock market at Detling, in Kent, the cattle pens were virtually empty for the auction yesterday. Within two days of the Government's announcement the price of beef

had plummeted by a quarter. At the auction yesterday just four farmers brought in their cattle for sale. Normally there would be 50 to 60.

Wimpy confirmed it was banning British beef from its outlets. Max Wolfenden, managing director, said: "Because of the confusion in the market place with our customers and their various concerns they have to be expressing we are having to move out of British beef to other sources."

"We have no scientific reason to do it. On a personal issue I still think British beef is an excellent product, but I'm not going to change my view on our customers."

Stephen Bennett finds British meat off the menu for wholesalers

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Stephen Bennett finds British meat off the menu for wholesalers

make the disease notifiable, in banning animal protein in requiring compulsory slaughter and compensation, and in banning bovine offal. "The roots of this crisis lie in the Government's repeated failures to take prompt and effective action to protect our food," she said in response to Mr Dorrell's latest statement on BSE.

Instead, deregulation dogma fuelled by complacency has caused a nightmare scenario for consumers and farmers alike."

In less of an atmosphere of suppressed panic than last week, Mr Dorrell said that according to the Spongiform Encephalopathy Advisory Committee, children were "not likely to be more susceptible"

to infection than adults. There was therefore no reason to advise schools to withdraw beef.

But Ms Harman said the Government should err on the side of caution on school meals.

"Shouldn't Mr Dorrell say 'better safe than sorry' – at least for the next nine months when we see whether there are any further cases?"

Tory backbenchers charged Labour with "scaremongering" and said the party would be to blame if the British beef industry was destroyed.

Sir Anthony Grant, MP for Cambridgeshire SW, recommended publication of a list of premises of any kind in the shops today."

In a separate statement, Douglas Hogg, Minister for Agriculture, said that in the light of Seac's advice, McDonald's

decision to ban British beef was "not justified". He agreed with Paul Tyler, the Liberal Democrat agriculture spokesman, who said it was "absurd" for the burger giants to import beef which was not regulated and inspected to the same high standards as in Britain. MPs were told two cases of BSE had been reported in France.

Pressed on the possibility of slaughtering cattle and paying compensation to farmers, Mr Hogg said the important thing first of all was to try to restore confidence in the market. "That did not happen so anticipated. He would have to come to the House with further proposals."

"But that is not the position at the moment," he told MPs.

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Female director wins £140,000 in equality case

A former personnel director who lost her job after claiming equal pay with a male colleague has accepted an out-of-court settlement worth £140,000.

Mrs Christine Espin was dismissed by QS Familywear after returning from holiday last year when the company told her she had lost the trust and confidence of other directors.

She had earlier told the retail clothing firm that she was taking her claim for equal pay with the male merchandise director, to an industrial tribunal.

Mrs Espin, 48, from Horsham in East Sussex, who earned £42,500, has settled her case out of court, with payment of £120,000 and enhanced pension rights of £20,000, one of the highest settlements of its kind.

She claimed for lost earnings, pension and other benefits together with compensation for the difference in pay between herself and her male colleague.

The settlement was based on Mrs Espin's claims that her earnings potential for the next 17 years had been seriously affected by the company's actions.

Details of the salary of her male colleague have been withheld under terms of the settlement.

"I felt very strongly about achieving equal pay because there was a substantial difference in my pay and that of the merchandise director, who joined the board at the same time as I did," Mrs Espin said.

She added: "I would hope this settlement would deter employers from victimising employees who bring equal opportunities claims."

"I am delighted that QS have undertaken to review their payment systems and amend their equal opportunities policy."

Mrs Espin joined the firm - a clothing retail chain with around 100 stores mainly in the South-east - in 1987 as the company's personnel manager.

In 1993 she was appointed to the board of directors.

QS Familywear said it refuted allegations of sexual discrimination and unfair dismissal and had decided to settle to avoid further costs and the use of valuable management time.

Nine out of 10 employees were women and the company's equal pay policy was "fair and attractive".

The Equal Opportunities Commission, which supported the case, said it was concerned that launching an equal pay claim should not result in an employee being victimised.

Diana Brittan, deputy chairwoman of the EOC, said: "This should demonstrate to all employers that sex discrimination does not pay."

"The Commission was also concerned that exercising the right to take an equal pay claim should not result in an employee being subjected to victimisation by the employer."

Mrs Espin's case illustrated how sex discrimination and equal pay legislation could address discriminatory pay and待遇 at a senior management level.

Until 1993, compensation for claims brought under the Sex Discrimination Act 1975 was capped at £1,000, but claimants can now be compensated to the full extent of their loss.

Lottery grant 'intolerable'

The Arts Council's decision to hand over millions of pounds of National Lottery money to the Royal Opera House was attacked as "unlawful and intolerable" in the High Court yesterday.

In the first legal challenge to a lottery pay out, Leolin Price QC said the Arts Council agreed to hand over £55m for the £215m Covent Garden opera house redevelopment project in central London - involving land of which the council was a joint owner.

"There is no power for the council to distribute lottery money to itself, or to a project in which it has an interest," the

QC told a judge. Mr Price said the £55m allocated was the largest distribution of lottery money so far contemplated by the council.

The conflict between the council's statutory responsibility for choosing between competing applicants for lottery money and its interest in this particular intended distribution is "intolerable", said Mr Price. "The law should not permit - and in our submission does not permit - an exercise of discretion in favour of the person given that discretion."

The QC was asking Mr Justice Tucker to give Jo Weir, chairman of the Covent Garden

Community Association, which fears the proposed redevelopment will damage the area, permission to seek a judicial review of the council's decision.

Planning conditions laid down by Westminster council had not yet been satisfied and the Opera House was applying for some of them to be discharged, having failed to get approval for designs for buildings which will replace historic ones in Russell Street, Bow Street and the Covent Garden Piazza.

Despite this, the Arts Council had wrongly begun to distribute the lottery cash on the basis that the conditions would be properly met.

He added that the annual up-

keep of the house was about £350,000 and estimated that he had already spent about £7m of his money on maintenance of the house. When he was sentenced for drug possession, he told the court he had "blown" the same amount in 10 years on his lifestyle. The marquess now intends to spend half the year in the Bahamas and six months on a farmhouse on the Ickworth estate.

Sotheby's, which is running the sale at Ickworth on 11 and 12 June, expects great interest in about 1,000 lots. Classic cars will feature prominently. A 1941 Cadillac Fleetwood and a 1964 Rolls Royce Silver Cloud III - with the registration plate 888 NOB - are included, as are two coronation portraits of George III and Queen Charlotte.

Yesterday Lord Bristol, who

has been on a drug rehabilitation programme for the past 18 months, spoke only of the future. "I'm looking forward to a change," he said.

Paralysed rugby player sues referee for £1m damages

A 21-year-old rugby player yesterday launched a legal battle for £1m compensation from a referee and another player after he was paralysed for life when a scrum collapsed.

Ben Smoldon was on the threshold of a happy and fulfilling life before the accident during a game between Sutton Coldfield and Burton on Trent under-19 colts in October 1991, the High Court was told.

Now tetraplegic, he is condemned to a wheelchair existence for the rest of his days, his counsel, Peter Andrews QC, told Mr Justice Curtis.

Mr Smoldon, of Sutton Coldfield, West Midlands, is suing the match referee Michael Nolan and Thomas Whitworth, a member of the opposing team, who both deny liability.

Mr Andrews said that Mr Smoldon, who played hooker, was injured when the scrum collapsed and the bodily force exerted by the other members caused his neck to be dislocated. "He thought at the time it was a one in a million accident. In fact, there has been, unfortunately, an increasing history of serious injury in the game of rugby and Ben has fallen victim to that pattern of catastrophic injury."

Mr Andrews said he would argue that the match was not played according to the laws of the game or in a sporting spirit. The referee's role was crucial in this game the laws were per-

sistently contravened and it ignored some of those present actually foresaw the likelihood of injury before Ben's accident. The playing, particularly in the scrummages, was very dangerous."

A touch judge had warned the referee that unless he did something, someone in the front row of the scrum would go to be injured. "Mr Nolan

agreed but, in effect, said he could not do anything about the situation."

A spectator had also commented afterwards that, in respect of the scrum collapsing, he had never seen a game like it.

Mr Andrews said that between 1954 and 1993, 226 medical papers had been published on rugby injuries, which concluded it was the sporting activity most likely to give rise to personal injury. There had been a dramatic increase in injuries to the spine from 1970 onwards with nine such injuries in the 1980-81 season. Front-row players, and especially the hooker, were at particular risk from scrumming injuries caused by the scrum collapsing.

In an attempt to improve the situation, the laws of the game were adjusted in the early 1980s.

Mr Andrews said: "It's clear that well before the 1991-92 season, officials of the game ought to have known of the risk of spinal injuries to those who play, particularly in the front row."

The case, which is likely to last two weeks, is believed to be the first time in England that a referee has been sued in such a situation and will have wide implications not only for rugby, but refereeing in general.

Mr Nolan is being backed by the Rugby Football Union, which insures referees.



Ben Smoldon: Confined to a wheelchair after accident

Rail stations on move as sites are sold

CHRISTIAN WOLMAR
Transport Correspondent

Rail stations are being moved out of town centres so that their former sites can be sold to property developers by Railtrack. Labour claimed yesterday.

And a Labour peer also said that Railtrack was selling off sites for development which could still be used for attracting freight back onto rail.

Clare Short, the shadow Transport Secretary, has identified half a dozen rail stations which are "sliding out of town" in order to enable Railtrack to

sell land to developers. In Wrexham, north Wales, for example, there is a plan to move the station 200m out of the town centre while at Windsor & Eton central, the plan is to shift the station back up the line for 100 metres. Similar plans have been carried out at Merthyr Tydfil and there are similar schemes to move the stations at Aberystwyth, Lowestoft and Staines.

Labour is particularly angry that most of the profits from these developments can be retained by Railtrack. Only a quarter of the proceeds have to be passed on to reduce track access charges for train operators while Railtrack retains 75 per cent.

In the statement that will set out Labour's plans for Railtrack, Ms Short said: "Labour will ensure that all proceeds of property sales will go back into the railway for re-investment." She accused Railtrack of "planning to carve up rail land".

A Railtrack spokesman said

last night that all these planned developments were for the benefit of passengers. "They have all been agreed by local au-

thorities, and the train operating companies are also happy about them. While Railtrack will, of course, benefit, all these schemes also result in improved stations and other facilities."

Lord Berkeley, who recently joined Labour from the crossbenches, has uncovered half a dozen sites which he says are supposed to be protected but are being sold by Railtrack.

He told *The Independent*: "This

is being done in a very clever way. They are selling small bits of these parcels of land to supermarkets and the like, rather than the whole site which they are prevented from doing."

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news

Benefits offices to face £200m cutback

By CLIVE BLACKHURST
Westminster Correspondent

Social security offices are to close and staff are to lose their jobs as part of a £200m programme of cuts to be announced shortly by the Benefits Agency.

Documents leaked to the *Independent* reveal the full impact of the introduction of the Jobseeker's Allowance and the clamp against benefit fraud on the agency, which each year pays out benefits of £7.5bn.

The documents show that small offices, which specialise in dealing with claimant inquiries rather than processing applications, will be shut. Freeline, the agency's freephone service which deals with 2.5 million claimants' inquiries annually will be scrapped, and out-of-hours emergency services abolished.

The agency, according to the documents, will be divided into 13 areas instead of the present 20, and local customer surveys will be ended. Claimants will no longer receive "money advice" telling them how to manage their finances, and their appeals procedure will be simplified.

These cuts will also slash 50 per cent from budgets for district information officers, and management and personnel budgets will be heavily cut.

Peter Mathison, chief executive of the agency, will tell staff that the aim is to secure savings of £200m in the current financial year. While the administration budget for 1996-97, at £7.5bn, is £101m higher than that of the previous financial year, the cost of introducing the new jobseeker's allowance and the Security and Control Programme - the fraud crackdown - is set at £397m.

Above and beyond that net reduction, staff will be told, the agency is committed to "a 25-per-cent improvement" in productivity by 1998-99.

In his briefing note for managers, ahead of the announce-

ments, Mr Mathison writes: "This will mean that all services will have to be examined - nothing will be exempt."

Claimants with queries will have to start paying for their phone calls, but the fraud hotline, for members of the public informing on people they suspect of claiming benefit fraudulently, will be continued.

In a "questions and answers" briefing document, managers are told to respond to queries on why the fraud hotline is being kept, yet benefit information via Freeline is being stopped, with the answer: "Fraud hotline is a specific and successful part of our Security programme aimed at reducing the levels of fraud and making savings in benefit expenditure."

Another briefing note for managers warns, "there must be a question over small offices where alternative services are available within reasonable distance".

The questions and answers document instructs managers to deny that the much-trumpeted "One Stop" service has been abandoned, "rather we are looking for better ways to deliver it... We aim to build on the achievements and principles of the One Stop project in the future development of customer service", it says.

Final decisions on which offices will shut and on the number of jobs to go have not yet been taken. "Obviously, with a 25-per-cent productivity improvement we will have fewer jobs in the long term," says one of the briefing notes.

If asked if the cuts will mean that staff in Department of Social Security offices will come under pressure and "will affect both the quality of work and attitude to customers", managers are instructed to say the overall aim is to simplify processes involved in handling claims. "Benefits of [the cuts] will be improved customer service and reduced pressure on staff."

First patient to get electric heart dies

LIZ HUNT
Health Editor

A 64-year-old man who was the first patient in the world to receive a permanent electric heart has died, less than 36 hours after it was removed from his body.

Tests had shown that Abel Goodman's own heart had made a "remarkable recovery" since the operation to implant the heart in October 1995, and surgeons decided to remove the battery-powered mechanical device in a five-hour operation on Saturday because of concern about localised bleeding.

Mr Goodman, who suffered from heart failure, died yesterday after developing a "sudden and unpredictable" change in heart rhythm and could not be resuscitated, the John Radcliffe Hospital, in Oxford, said.

Stephen Westaby, the heart surgeon who operated on Mr Goodman, said: "Mr Goodman had progressed well over the 24 hours since the operation to remove the mechanical heart. The mechanical heart was removed after a remarkable recovery to Mr Goodman's own heart with bleeding around the device becoming a cause for concern."

Mr Goodman's operation had offered new hope to thousands of people with heart disease who are on the transplant waiting list. Until recently, mechanical hearts were intended only as a bridge to maintain patients until a donor organ became available.

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New form: Sir Eduardo Paolozzi with *Hamlet in a Japanese Manner*, restored by computer animation. Photograph: Nick Turpin

Sculpture saved by animation

JOJO MOYES

Once it was predicted that computer animation would make fine art redundant. Now that same technology looks like ensuring that works of art are preserved for eternity.

A work by the leading British sculptor Sir Eduardo Paolozzi has recently been restored to its original form using a mixture of high-level graphics and virtual reality, and conservators are predicting that similar restorations will follow.

Hamlet in a Japanese Manner, a three-part brightly coloured aluminium sculpture, was first shown in 1966 and had since been stripped down to its aluminium parts. After it was chosen for *A Century of British Sculpture*, due to open in June in Paris, conservators found that there were few records of how it had originally looked.

"This is actually a very common problem," said Caroline Douglas, the British Council's exhibitions officer. "But . . . eventually we managed to locate three photographs."

Two conservators at the Tate Gallery, in London, were then asked to restore the work to its original design and colours.

Tessa Jackson, one of the conservators, said they had been close to giving up when they met Rob Potter, director of a computer animation company, Channel 20-20.

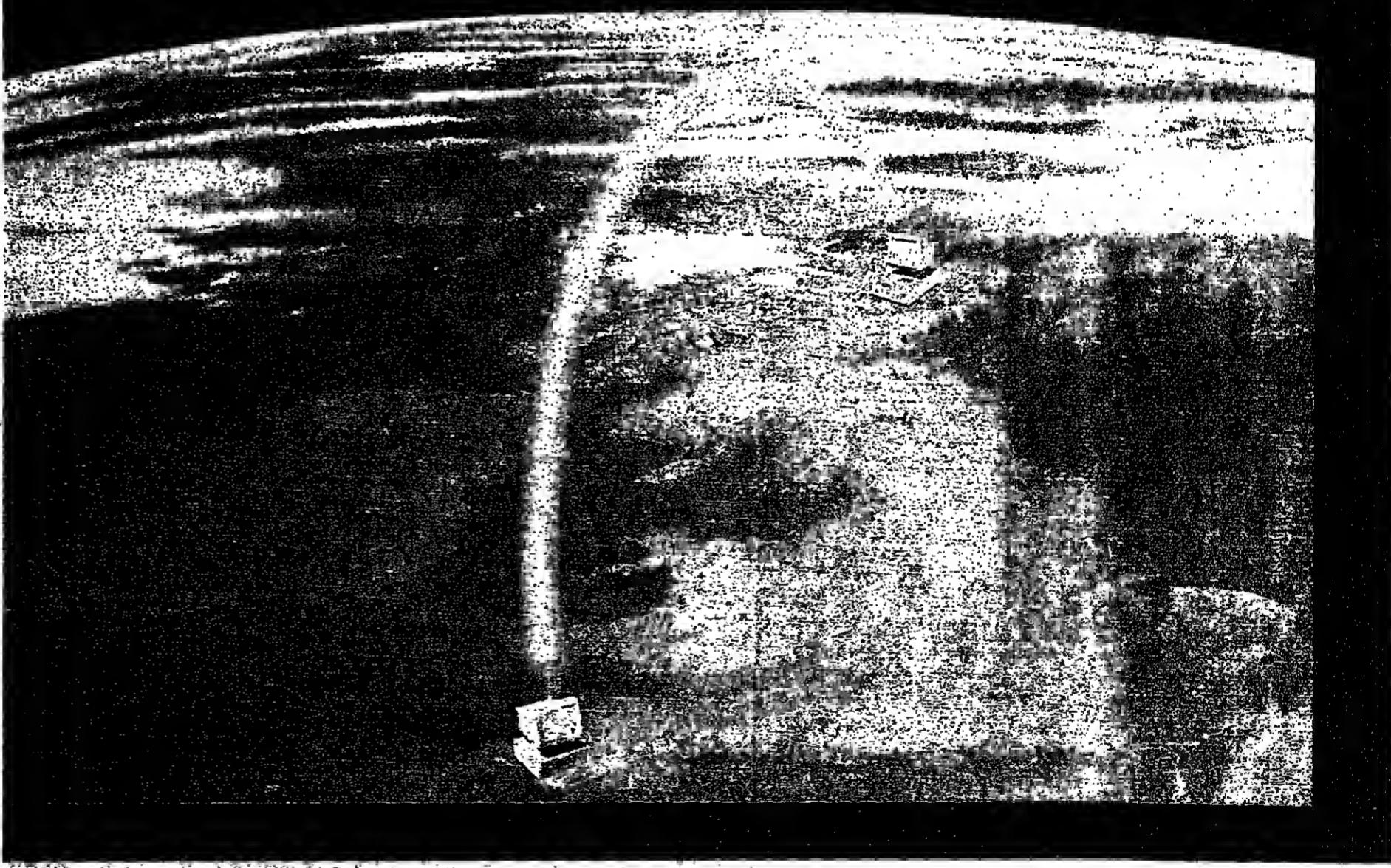
Using the photographs, Channel 20-20 produced a three-dimensional image from which they were able to piece together the original design. They then used a virtual image of the sculpture superimposed on to the screen design in order to "trace" the design and paint on to the actual sculpture.

Ms Jackson said the technology had ensured that the finished product was "as accurate as it's going to get".

The animation work would have cost the Tate £60,000 (the company did not charge full rate) and the gallery is "very interested" in using it again.

The sculpture will go on display in Paris on 4 June before returning to its owner, Kelvin Grove gallery in Glasgow.

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Minister moves to placate divorce Bill rebels

MARINA WYNNE DAVIES
Legal Affairs Editor

The Government bent over backwards to placate its Family Law Bill rebels last night, pledging to change the law to allow divorced wives a share of their husbands' pensions and promising "genuine" free votes on the key reform of no-fault divorce after a year.

In a barrage of criticism from Tory backbenchers as he

opened the Bill's Commons Second Reading, Roger Freeman, Chancellor of the Duchy of Lancaster, said his door was open from today to any backbencher who wanted help with drafting a "workable amendment that could be put to the vote during the committee stage. And, "as a measure of our acceptance of the principle", a Lords amendment on splitting pensions at the time of divorce would not be overturned.

Mr Freeman promised that the Government would bring forward its own legislation "at the earliest opportunity" following a Green Paper in July. In practice, that is likely to mean that a measure will be announced in this autumn's Queen's Speech, while the Lords' amendment – described by Mr Freeman as "defective and insufficient" – will never be brought into force. Mr Freeman said 30 Acts of Parliament

would need to be changed if pension splitting was adopted in the way the Lords had decided.

Introducing the concept of the "genuine" free vote that even members of government could exercise, dubbed the "Freeman vote" by John Patten, a former minister and ardent critic of the Bill, Mr Freeman promised that issues of removing fault from divorce and the length of the waiting time would be dealt with in this way.

In response to a question from Edward Leigh, another critic and former minister, Mr Freeman suggested that clauses covering the "hardship" bar to divorce and on whether financial orders should be allowed during the one-year waiting period could be further examined on the floor of the House at the report stage.

But on the Bill as a whole, Mr Freeman insisted that it would "better protect the interests of

the children of a marriage by reducing acrimony and by ensuring that conduct is taken into account where it is relevant to the upbringing of children".

He said Office of Population Censuses and Surveys figures for 1994 showed that in 72 per cent of cases people filed for divorce on the basis of fault, leading to a median period for all divorces of seven months and divorces before arrangements had been decided for children

or financial matters. His attempts to meet Tory rebels half-way is unlikely to have changed many minds. John Redwood, the former Cabinet minister, demanded to know why the law should be changed to allow someone to be divorced against their will, or contrary to the benefit of the children, after a year, when under the present law the couple could have to wait at least two years and be separated.

Meanwhile, the Law Society has insisted that pension splitting could be dealt with in the current Bill.

Couples face extra year of separation

Legislation means people may have to start divorce process over again. Ros Wynne-Jones reports

If the Family Law Bill becomes law there will be no divorces by consent for a period of one year.

Couples who are embarking on two-year separation divorces now could find themselves having to begin the process all over again if the new legislation comes into effect before their separation period has ended.

This would mean that during the first year of implementation no mutual consent divorces could occur. The new law requires a 12-month cooling off period prior to divorce.

Contested divorces, where proceedings had been begun prior to the new legislation, would continue to go through during the first year.

The loophole emerged as confusion over what the bill would mean for couples caught between the old and new legislation was triggered by comments made yesterday by Jonathan Evans, the minister steering the Bill through the Commons.

He told Radio 4's *Today* programme that "in the first year after this legislation comes in nobody will be able to get divorced" leaving a question mark over what would happen to those already involved in divorce proceedings.

The Lord Chancellor's office confirmed there would be no divorces at all in the one-year period, but later stated that couples who had already filed for contested divorces prior to that date would be covered by interim arrangements.

The problem occurs in two-year separation divorces because, unlike in contested divorces, couples who wish to divorce by mutual consent or separation, actually file for divorce after the period of separation.

Separation and the law cannot cover them retrospectively.

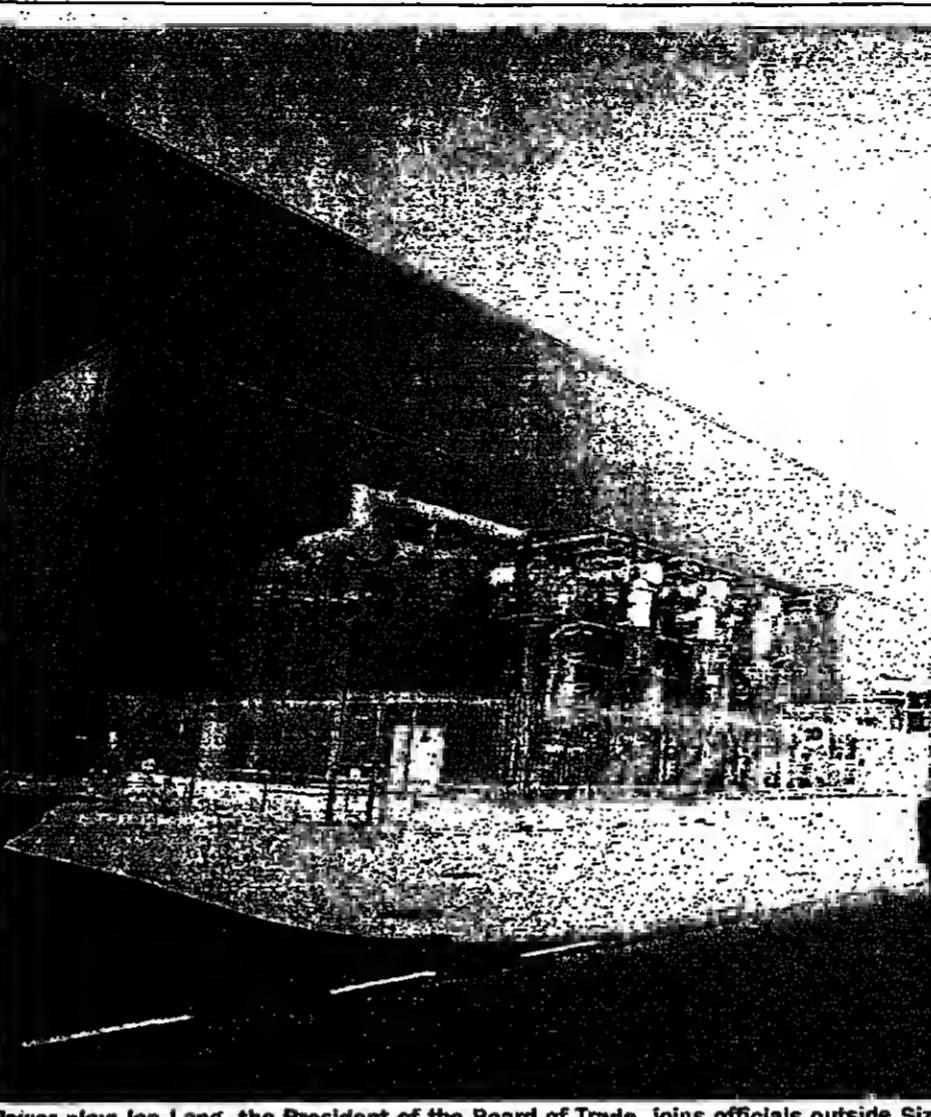
A spokesman for the Lord Chancellor's office said: "The law is unable to be retrospective and so we have been unable to make arrangements for those already undertaking divorce by consent when the law comes in. A category of people will be caught by this but the department is unable to really see a way round it."

A senior divorce lawyer said there was concern in the legal profession about the people that would fall between the old and new divorce laws. People seeking legal advice would be informed that the process could take three years, which might encourage some people into contriving grounds for divorce such as unreasonable conduct.

Ironically, divorce on "invented" grounds is one of the issues the Lord Chancellor is trying to address.

There is also concern about the status of international cases because of the possibility that other jurisdictions will be able to process cases faster than in England. An English woman married to a French man might decide to go through a divorce in France rather than England, for example.

The Lord Chancellor expects a two-year period between the divorce bill completing its passage through the Commons and the law being implemented. If the law is passed this summer, it would come into effect from summer 1998 and the first divorces under the new law would come through in summer 1999. In the interim people will have to wait the extra year or cite grounds for divorce such as unreasonable behaviour or adultery.



Power play: Ian Lang, the President of the Board of Trade, joins officials outside Sizewell B in Suffolk after opening the nuclear energy plant yesterday. Mr Lang insisted that safety would be paramount in the privatised nuclear industry

Photograph: Edward Sykes

CSA to compensate falsely accused men

JOHN RENTOU
Political Correspondent

The Child Support Agency is to make a £100 "consolatory payment" to men who are falsely accused of fathering children, the Government announced yesterday.

Andrew Mitchell, the social security minister, said the change would come into effect next week in the "extremely rare cases" where the CSA is at fault in sending a form to a person who is not the parent of the child in question. "This is to compensate for the possible upset and inconvenience caused

by this error," he said in a written parliamentary answer.

One of the CSA's many problems since its launch three years ago has been a series of well-publicised mistakes which have threatened marriages because wives have opened letters from the CSA which were based on erroneous information.

Headlines such as "CSA blunder nearly ruined my marriage", over the story of Steven Sheppard, whose wife Janet opened a letter from the CSA, have embarrassed ministers.

According to the CSA two years ago, Mr Sheppard, the father of two girls aged seven and

12, also had a 10-year-old daughter by another woman. After the mistake was uncovered, Mrs Sheppard said: "I'm so angry. We had the biggest row of our entire marriage. In 13 years I've never once doubted Steven. But they destroyed all that trust with one letter."

In the last nine months for which figures are available, there were 28 instances where the CSA "may have been responsible" for wrongly identifying absent parents, a spokesman for the Department of Social Security said. This was an infinitesimal proportion of the 155,000 forms sent out.

The payment would not be available where the CSA acted in good faith, for example in response to malicious claims that someone had fathered a child.

The new rule forms part of a further package of reforms which have already stilled much of the fierce criticism of the CSA from aggrieved fathers.

Last year, travel-to-work costs were taken into account for the calculation of maintenance payments, and a limit of 30 per cent of the absent parent's disposable income set for maintenance.

Last week, a more thorough system of allowing "departures"

Clarke under pressure on VAT

NICHOLAS SCHOON
Environment Correspondent

The Chancellor, Kenneth Clarke, will today attempt to head off a rebellion among Tory MPs which could see the Government defeated in the Commons tomorrow.

There is strong cross-party support for a move to cut VAT on insulation and other energy-saving goods from 17.5 to 8 per cent, bringing it in line with the lower VAT rate charged on electricity and gas.

Among the 11 Tory rebels who have signed amendments to the Finance Bill are prominent Eurosceptics such as Sir Teddy Taylor and Theresa Gorman. They see the issue as a chance to challenge the European Commission's restrictions on VAT changes in member states. The 11 also include Sir John Hain, a member of the executive of the powerful 1922 Committee of backbench Tory MPs. He and Tim Yeo, the former environment minister, are to meet Mr Clarke today.

Supporters of the campaign say common sense and justice demand that products such as triple glazing, cavity-wall insulation and thermostatic radiator valves should have the same VAT rate as fuel. The differential encourages households to use energy wastefully, harming the environment and economy.

But the Government has been strongly opposed. Apart from possible problems with the Commission, it does not want to lose the £8m a year revenue which 17.5 per cent VAT on energy saving goods brings in.

Alan Simpson, the left-wing Labour MP for Nottingham South, is leading the campaign. Last year his Early Day Motion calling for the VAT cut was signed by over half of all MPs, and nearly 200 backed his amendments to the Finance Bill last week. An amendment to allow a refund system in which people who pay 17.5 per cent VAT could reclaim half, is most likely to come to a vote.

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Clinton backed Baghdad bombers

Patrick Cockburn uncovers video evidence that the US, while decrying Hamas attacks in Israel, was at the same time backing a ruthless group operating in Iraq

At the same time that President Bill Clinton was denouncing the Hama suicide bombers at an "anti-terror" conference in Egypt two weeks ago, the US was supporting an equally violent organisation in Iraq which carried out bomb attacks in Baghdad and other cities.

The Iraqi opposition campaign, aimed at destabilising President Saddam Hussein and his government, has hitherto remained secret. It includes using car bombs and smaller explosive devices smuggled from Iraqi Kurdistan, which is outside government control.

Iraq issues no figures for people killed or injured in explosions but an opposition member said: "I estimate that more than 100 civilians have been killed by the bombs in Baghdad in the last three or four years. There is zero concern about civilian deaths among those behind the bombing."

The body mainly responsible for attacks is the Iraqi National Accord, one of the main resistance groups described by another opposition leader as "heavily sponsored by the US and under the influence of the CIA". Last year the CIA asked Congress for \$15m for covert operations against Baghdad.

Evidence that at least part of this funds a bombing campaign has become available recently through Abu Amneh al-Khadami, one of the National Accord's chief bomb-makers. To justify his conduct and explain his grievances to opposition leaders abroad he made a video - the *Independent* obtained a copy - describing how he made and sent bombs to Baghdad.

He also recounts conversations with his superior, who fears "the Americans will cut off financial aid to us". He says he was originally recruited by a National Accord official who got him freed from jail in the Kurdish headquarters at Salahuddin, northern Iraq. He quoted him as saying: "I made the Amer-

ican



Rebel region: Kurds in northern Iraq. An opposition bomb-maker drew explosives from here for attacks in Iraqi cities

Photograph: Rex

at Sharm el-Sheikh are to attend a follow-up meeting on counter-terrorism at the US State Department in Washington on Thursday and Friday. Among topics to be discussed will be the flow of funds to terrorist groups.

After watching the video, an Iraqi opposition figure said: "The people in the State Department will crawl under their desks when they see what Abu Amneh has revealed about the groups they are supporting and co-ordinating."

Liaith Kubba, an Iraqi intellectual active in the opposition to President Hussein, reacted to the tape with fear and disgust. If this sort of causal violence continues in Iraq, then the

country will have no political future even after Saddam. It will become like Afghanistan". He says there is no way a few bombs in Baghdad will help bring down the government.

The bomb-maker does not come well out of his film. He apparently considers planting bombs to be very much a business, often giving the cost of each operation - \$600 (£400) to get a bomb to Baghdad, for example - and complains about inadequate pay. He is evidently frightened and embittered; he says he fears his superior officers and Iraqi intelligence will try to kill him and says that he does not even have enough arms to defend himself and

the 12 men who form his inner group in Sulaymaniyah.

Nevertheless, sitting at his desk, with his face to the camera, occasionally holding up old orders he has received, Abu Amneh gives a coherent account of attacks he has initiated over the past year.

Other opposition members say that he is a Shia Muslim from the Khadamiya district of Baghdad who arrived in Kurdistan after the uprising against President Saddam in the wake of the Gulf war.

He explains how he joined the National Accord, headed by Iyad Mohammed Alawi, after Mr Nuri, one of its senior members, got him out of jail with

fines that are well-appointed if not plush. At one moment the cameraman shoots through the window, showing a busy city street and in the background the blue smudge of the Kurdish mountains.

He drew his explosives from an arms dump farther north, in the Kurdish stronghold of Shaqlawa. An aim of the bombs in Baghdad and Mosul, say other members of the Iraqi opposition, was to show that "those who planted them had a long reach inside Iraq and were worthy of financial support from outside".

Operations in Baghdad were not confined to bombs. Abu Amneh also had his men dis-

tribute leaflets and take pictures of themselves doing so to prove they had not thrown them away. He says: "These leaflets cost us more than a bomb. A bomb somebody just takes it and plants it. Leaflets need two people: one to take photographs and the other to distribute the leaflets." In either case it was dangerous; anybody caught would be tortured and killed by Iraqi security forces.

It is not known how many ordinary Iraqis died in the explosions. The media is tightly controlled and does not normally mention bombings for fear they would show the government losing control. But there are exceptions: last year *Babel*, a daily belonging to Uday, son of President Saddam, mentioned 10 bomb explosions in Baghdad, as part of a campaign to discredit his uncle Watban Ibrahim al-Tikriti, then interior minister.

Abu Amneh wanted to explode bombs when they were most likely to damage the Iraqi government. He hoped to step up attacks in October in the days leading up to a referendum designed to endorse Saddam Hussein as Iraqi president. He was also angered when his superiors vetoed a plan to let off a bomb and say a group supporting Hussein's son-in-law, who defected in August, was responsible. He rejects objections, apparently from the US, that he was "too much a terrorist". He says, not unreasonably, that "Saddam Hussein has ruined the whole country, so how can anybody say we are terrorists?"

Abu Amneh made the videotape in order to survive. It is a plea to the leadership of his own party and a denunciation of Mr Nuri, whom he accuses of betraying him. Few bomb-makers, outside a courtroom, can have been so forthcoming about their work. He may, however, have done little to improve his chances of survival. In one and a half hours he reveals too many secrets about the bombing of Baghdad, the rivalries of the opposition and their reliance on US support. "He is naive to think this will help him," said one Iraqi familiar with opposition politics. "I don't think he will live very long."



Murderous rivalry of factions seeking favour

PATRICK COCKBURN

Iraqi forces were driven out of Iraq's three Kurdish provinces in 1991. These then became the main base of the Iraqi opposition. They are also protected by a no-fly zone established by the United States and its allies.

In 1992, opponents of the Iraqi President, Saddam Hussein, united in forming the Iraqi National Congress, which was supported by the US, but this has not prevented ferocious ri-

valries. The Kurds themselves have fought a full-scale civil war in the past two years which has left 3,000 dead.

The Iraqi National Accord, the party to which their chief bomb-maker, Abu Amneh al-Khadami, belonged, has long wanted to become the movement most favoured by the US. Many of its members are former members of the regime in Baghdad and they claim to have been plucked to launch a military coup. Their leader, Iyad Mo-

ammed Alawi, was badly injured in an assassination attempt, carried out by Iraqi intelligence, in Britain in the late 1970s.

Abu Amneh says that the party had plans to dispose of Ahmed Chelabi, the head of the Iraqi National Congress, who had previously been the opposition leader most trusted by the US. He says: "When I first came to Sulaymaniyah I was twice asked to kill Dr Chelabi but I refused." He adds plausibly that "I would not ruin my reputation" by killing somebody who, whatever his faults, was part of the resistance.

He also turned down the idea of a booby-trapped car on the more practical grounds that this would turn Dr Chelabi into a martyr and might kill Americans travelling with him. Not all members of his party were so circumspect. Members of National Accord were arrested by the Kurds for blowing up an INC, headquarters killing 28

people last year. The Accord has good relations with Jordan, which has turned sharply against Iraq in recent months.

According to one report, Nazar Kazzaz, a former Iraqi chief of staff, who defected this month, is expected to join the party.

The intensification of the struggle to win US support may have come because the pool of American money was getting smaller. It fell from \$40m in 1992 to \$15m last year because

of doubts in the US administration about the effectiveness of the opposition. On the other hand, it is difficult to see what else the opposition can do, given that the regime in Baghdad will crush mercilessly any sign of dissent. Dr Chelabi has tried to build up a regular military force in Kurdistan. This launched a limited military offensive against the Iraqi army last March but the attack failed because it lacked Kurdish and US support.

sue miller

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bers

IGC summit: French to launch 'social model' for Europe in Turin to quell mounting hostility to EU at home

Chirac unveils new jobs deal for EU states

MARY DEJEVSKY
Paris

President Jacques Chirac yesterday outlined a French initiative to define a "social model" for Europe. He said he would present his proposals to the Inter-Governmental Conference (IGC), which will rewrite the Maastricht treaty, when it opens on Friday.

The initiative was the centrepiece of a lengthy article on Europe contributed by the President to the left-of-centre newspaper *Liberation*, and which proposed measures to encourage job creation, restrict working hours and reduce the disparities in social and welfare provision across Europe.

The precise content of the plan will be finalised at tomorrow's Cabinet meeting and circulated to France's European partners on the eve of the Turin conference.

Mr Chirac's initiative coincided with a French gesture designed to seal its European credentials in the eyes of its chief ally, Germany. An announcement from the Foreign Ministry said that France was lifting the border controls it retained after the Schengen agreement on open borders came into force.

France annoyed Germany when it delayed the abolition of controls last year, citing the Netherlands' liberal drug laws and the terrorist threat.

Yesterday's implementation of the Schengen treaty is only partial, however. Controls with the Benelux countries (Belgium, the Netherlands and Luxembourg) will remain until "satisfactory" measures can be agreed for controlling drug trafficking. The Netherlands' liberal attitude towards drugs continues to be a source of great friction with France.

A summit to discuss the problem had to be cancelled earlier this month because diplomats could not find sufficient common ground.



Dutch officials have since made it clear they believe Mr Chirac is obsessed by the drugs issue, while French officials have described the Netherlands, on the record, as a "narco-state".

If yesterday's move on Schen-

tightening, which could turn people against the whole idea of the European Union.

Influential members of President Chirac's own Gaullist (RPR) party also feel that he has not delivered on his election promise to make jobs and "ending the social divide" his top priority.

These two concerns were forcefully articulated over the weekend by one of France's chief Eurosceptics, the influential chairman of parliament (and Gaullist) Philippe Séguin. Speaking at a conference on employment in his home region of Epinal in eastern France, Mr Séguin said that jobs, especially for young people, were a matter of extreme urgency.

In yesterday's article, Mr Chirac seemed to respond with sympathy to the views put forward by Mr Séguin, saying that "a community that had an annual budget of more than 500bn francs [£65bn] at its disposal" had "a formidable instrument for employment".

Mr Séguin has frequently found himself at odds with the Prime Minister, Alain Juppé, who has presented sound public finances as a priority that will bring jobs with it.

Although Mr Chirac appeared to take Mr Séguin's line on jobs, however, the small print of his plan contained little that was new and no suggestion about how more money might be raised to pay for job-creation schemes.

Yesterday, officials stressed that Mr Chirac's "social plan" in no way negated or replaced the French government's official IGC negotiating position, which was approved two weeks ago after a debate in parliament.

They also noted that Mr Juppé would present the final version of it to the Cabinet. Its appearance only five days before the IGC opens, however, has introduced a confusing element that was probably intended more for domestic consumption than for Turin.



Chirac: 'Social initiative' for domestic consumption

details of it, appeared designed to address the worries of ordinary French people, and a strong dissident strand in his own Gaullist party.

In the approach to the IGC, French politicians of all persuasions have convinced themselves that the voters increasingly associate the European Union with an unaccountable Brussels, job losses and economic belt-

tightening.

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Candidates from Mr Kohl's coalition partners, the Free Democrats, celebrate victory at the polls

Photograph: Reuter

Kohl crows as opposition falters

IMRE KARACS

Bonn

Germany's dispirited opposition tried to put a brave face yesterday on the drubbing it suffered in elections to three regional assemblies, but the fighting words failed to hide their disappointment.

The first visible success, was how Oskar Lafontaine, the Chairman of the Social Democrats, described the party's pyrrhic victories in the states of Rhineland-Palatinate and Schleswig-Holstein, in Sunday's poll. The SPD had scraped a victory, but it's share of the vote plummeted by about 6 per cent in both states, and it is now forced to court possible coalition partners. Others in the SPD felt less triumphant, blaming the party's campaign against immigration and European Monetary Union in the state of Baden-Württemberg.

They also noted that Mr Juppé would present the final version of it to the Cabinet. Its appearance only five days before the IGC opens, however,

had introduced a confusing element that was probably intended more for domestic consumption than for Turin.

"That has brought nothing," Andrea Nahles, leader of the party's youth wing, said. "We urgently need a new strategy; we cannot go on like this."

Those words were almost identical to those which Mr Lafontaine uttered last November in ousting the then party leader, Rudolf Schärping.

Mr Lafontaine promised to reinvigorate the party, but so far his populist sloganising has been more noticeable than any issues of substance. The campaign in Baden-Württemberg, encouraged by Mr Lafontaine, earned notoriety for the party, a factor which contributed to the SPD's poor show in the other two states.

The party was guilty of "relentless opportunism", said the SPD's deputy chairman, Herta Däubler-Gmelin. Chancellor Helmut Kohl, whose Christian Democrats improved their score slightly, while his

coalition partners, the Free Democrats, achieved their best results in years, was quick to capitalise on his victory.

"We now have a clear mandate," he declared. Mr Kohl has a clear run until national elections scheduled for 1998, in the knowledge that his coalition is secure. Mr Kohl accused the Social Democrats of conducting a "shabby campaign", and described the SPD's performance as "a setback, whose name is Oskar Lafontaine".

Under Mr Lafontaine's leadership, the Social Democrats have improved in opinion polls, but not enough to threaten Mr Kohl, despite the economic recession. Their strategic goal of forming a coalition government in Bonn with the Greens after the next election also seems to be under threat.

On Sunday the Greens confirmed their steady progress, easily gaining seats in the three

assemblies. But their success owes a great deal to the SPD's failure. The Greens appear to have swept up many disaffected Social Democrat voters who are turned off by Mr Lafontaine's leadership.

At the same time, coalition tensions between the Greens and the Social Democrats in North Rhine-Westphalia have undermined confidence in the SPD, but appear to have had no impact on the Green vote.

Mr Kohl is expected to use his "renewed mandate" to tackle the country's severe economic crisis. He has pledged to create 2 million jobs by the year 2000, while the Free Democrats in his government are promising tax giveaways.

More noticeable in the near future will be the effects of the budget cuts which Mr Kohl needs to make in order to make Germany fit for European monetary union.

IN BRIEF

Man denies murder of backpackers

Sydney — A 51-year-old road worker pleaded not guilty yesterday when he went on trial charged with the "backpacker murders" of seven young hitch-hikers, including two British women, Caroline Walters and her travelling companion, Joanne Clarke, writes Robert Milliken.

Mr Justice David Hunt told the jury: "You would have to have been hermits not to have heard anything at all about this case ... But you must put aside your feelings of horror."

Whitewater fraud

Washington — David Hale, a former investment banker and President Clinton's prime Whitewater accuser, was jailed for 28 months for fraud, writes Rupert Cornwell. Hale claims that Mr Clinton, as Arkansas Governor, pressed him to make an illegal \$300,000 (£195,000) loan to the Clintons' partners in the Whitewater land deal.

Yeltsin in Norway

Oslo — President Boris Yeltsin arrived in Norway at the start of a two-day visit, seeking reassurance over Nato expansion plans. "We will discuss why Nato is pushing to the east and with what aims," the Russian President said. Reuter

Nuclear-free Pacific

Sure — The United States, Britain and France signed a treaty declaring the South Pacific a nuclear-free zone, ending its use as what Fiji's prime minister called the superpowers' "atomic playground". AP

Tea with the Queen

Warsaw — Thousands of people gathered in Warsaw to see the Queen begin the first-ever visit to Poland by a British monarch. She will entertain the former president, Lech Wałęsa, to tea today.

First Lady abroad

Tuzla — Hillary Clinton, in Bosnia, said she represented a "grateful and proud" nation in thanking US troops for their peace-keeping duties. Mrs Clinton compared herself to Eleanor Roosevelt, who visited troops overseas during the Second World War. AP

Rockin' up the aisle

Newly-sar-Selene — The rock'n'roll veteran Johnny Halliday, aged 52, married Laetitia Bouyou, a 21-year-old model. It was his fifth wedding and her first. Reuter

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Twelve die in Kashmir shrine siege



Siege mentality: A police marksman firing tear-gas to keep protesters away from the Hazratbal mosque. Photograph: AP

TIM McGIRK
New Delhi

Hazratbal, Kashmir's holiest shrine, is famous for possessing a strand of the Prophet Muhammad's hair. But to recent times, this shining white marble mosque has become the epicentre of tension between Kashmiri Muslims and Indian security forces.

To avoid inflaming Muslim sentiments, the mosque has been a "no-go" area for Indian security forces. But when a gang of Kashmiri militants swaggered into Hazratbal on Sunday with their weapons, they were challenged by police. A gun battle ensued and three police were killed, together with nine militants.

One of the dead militants was Bashrat Raza, described as "commander-in-chief" of the Jammu-Kashmir Liberation

Front, one of many Muslim factions opposed to Indian rule in the Himalayan state.

The surviving insurgents, as many as 25, dragged the corpses of their fellow militants inside the mosque precinct and then barricaded themselves in for a long siege. It is not the first time that militants have sheltered in Hazratbal. In October 1995, a group held hostages inside the mosque in a stand-off with the army that lasted 33 days. That ended peacefully, with the surrender of the militants, and the Prophet's hair was left unharmed.

Security forces responded swiftly this time. The mosque, beside Dal lake, outside Srinagar, was immediately ringed by over 2,000 police and paramilitary. Civilians and journalists were banned from the area.

The streets emptied after news of the siege spread, but it was

impossible to tell if it was because of the insurgents' strike or the government curfew.

The siege is likely to foul efforts by Indian authorities to secure the release of two Britons – Keith Mangan, originally from Middlesbrough, and Paul Wells, a Nottingham student – an American and a German who have been held hostage by Islamic extremists since last July. Police and Kashmiri militant sources had claimed that talks between negotiators and the militants of al-Farouq had reached a favourable stage and that the captives' release was expected "within several weeks".

Al Farouq and the militants inside Hazratbal have no direct links, but it is doubtful that al-Farouq would free its prisoners while Indian security forces were besieging the holy shrine.

By nightfall, the militants had refused the authorities' de-

mands that they hand over their weapons and surrender. Over the mosque's public address system they shouted "freedom for Kashmir". Relatives of the gun battle victims managed to retrieve three bodies from the mosque courtyard.

The authorities gave the militants two days to surrender or face stiff punishment. A Kashmiri government statement said anyone desecrating a religious place after Wednesday "will not be shown any leniency".

The siege of Hazratbal could set off shock waves that stir the Islamic world.

(New Delhi) – Two leading socialist parties have thrown down a stiff challenge to Mr Rao's ruling Congress Party by forming an alliance to fight the general election in India's most populous state.

The Janata Dal and Samajwadi Party (SP) set aside personality differences to contest Uttar Pradesh state's 85 parliamentary seats. It is the largest number of seats in any one state and the alliance forms what many believe could be the backbone of a left-wing alliance.

Chinese sheathe sabres for now

TERESA POOLE
Taipei

China yesterday wound up its war games in the Taiwan Strait, saying the People's Liberation Army had the "determination, the methods and the capability to safeguard reunification of the motherland".

While the intimidating rhetoric continued, the Foreign Minister, Qian Qichen, tried to ease international criticism by denying that more than two weeks of manoeuvres and missile tests had been designed to obstruct the island's progress towards democracy. Some people on the island of 18 million say we are obstructing their engaging in democracy. This kind of remark is completely without foundation," Mr Qian was reported as telling the visiting UN Secretary-General, Boutros Boutros-Ghali.

Peking's propaganda machine has been hard-pressed rewriting history in its efforts to explain the landslide 54 per cent victory of Lee Teng-hui, Taiwan's first democratic president, in Saturday's election.

With the result widely seen as a humiliation, Peking is trying to save face, claiming it had dealt a "telling blow" against "splittism". However, it has dropped personal attacks on Mr Lee, who for the past 10 months has been subject to a torrent of abuse for his alleged pro-independence moves.

Chang King-yu, head of the Mainland Affairs Council, said yesterday that Taiwan needed a period of "observation". He called for a resumption of the low-level, semi-official talks that China froze last July inrage at Mr Lee's foreign diplomacy. At the weekend, China's foreign ministry spokesman said the "door to negotiations" was still open so long as Taiwan accepted reunification.

The island is waiting to see if the PLA announces any new exercises. A Taiwanese security official said the mainland may hold manoeuvres inland in the south-eastern province of Fujian. The National Security Bureau director, Yin Tsing-wen, said this would be less threatening than the recent sea-based exercises and missile tests.

Zhang Wanian, vice-chairman of China's Central Military Commission, the highest military body, said yesterday: "We will take all measures, including military measures, to safeguard firmly reunification of the motherland. The success of the exercises shows the quality of our armed forces is excellent."

■ Hong Kong – The Democratic party vowed to fight China's dismantling of the elected legislature next year, Reuter reports.

Martin Lee, the party leader, said they were considering taking the battle to the courts.

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Narrow escape: A passenger tumbles from an Indonesian Kramat Djati bus which burst into flames after ploughing into a jeep 40km south of Jakarta. Of the 40 passengers, 29 were burned beyond recognition. Photograph: AFP

Saudis want to join British troops in Bosnia

CHRISTOPHER BELLAMY
Defence Correspondent

Saudi Arabia is expected to offer a battalion of 600 peace-keeping troops to join the 50,000-strong Nato-led peace implementation force (I-For) in Bosnia.

Although the exact destination of any troops offered by the Saudi government is still to be finalised, the Saudis are likely to be assigned to the British-led division, covering southern and

western Bosnia, and based in a Muslim area. Military and diplomatic sources stressed the Saudis had not made a firm decision but that the British-led division, which already has Canadian, Czech and Malaysian troops under its command, is overstretched and would welcome additional forces.

Most of the I-For troops implementing the Dayton peace agreement are from Nato countries but some non-Nato nations, including Russia, have

also contributed. Although the Saudis have worked closely with the US in the past, the US sector in northern Bosnia has more than enough troops and having the Saudis work with the British would capitalise on the already close defence relationship between the two countries.

Saudi Arabia has bought British planes, and some Saudi officers are trained at Sandhurst. The British-led division is based at Gornji Vakuf, between Muslim and Croat territory, but the Army hopes to move its headquarters to Banja Luka, in Bosnian Serb territory, if a suitable site is offered.

The British are responsible for the largest area transferred under the Dayton peace agreement, known as the "anvil", which has been returned to the Bosnian Serbs after being overrun by the Croats last summer. Military sources said yesterday that between 15,000 and 16,000 Bosnian Serbs had now returned to the area.

This week in THE INDEPENDENT

This week and every week, Section Two has a completely new look, with more pages, new features, a daily radio column and an expanded listings section providing Britain's most comprehensive daily guide to going out.

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on Tuesday

Part three of the making of the modern girl: how the Nineties generation gets what it wants. Plus: Health - a new treatment for chronic fatigue.

on Wednesday

Theatre, midweek travel section, your money, finance and law. Plus - Final part of the making of the modern girl: what the future holds for the teenager of the Nineties

on Thursday

All our regular features, including Dilemmas, John Walsh's column, plus film, education and graduate

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24Seven - a brand new 20-page pull-out-and-keep entertainment and listings section. Including a complete day-by-day planner for the week ahead, plus

and marriage. and in Sport! A 24-page section with all the action from a big weekend of sport. Plus: Part one of a major investigation into the crisis afflicting English cricket. Where does our summer game go from here? And the Monday interview with Alan Shearer, the striker who doesn't mind not scoring goals for England.

Also on Tuesday, fashion, architecture, visual arts and media. Our new back pages section introduces a weekly feature on the history of popular culture.

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PAUL POOLE

Nagasaki stirs right-wing rage over museum

TOKYO — Six years after their mayor was shot and almost killed by a right-wing assassin, officials in the city of Nagasaki are once again receiving threats from ultra-nationalists who are unhappy with a new exhibition about the atomic bombing of the city in 1945.

The controversy centres on the opening of the new Atomic Bomb Museum, a 41-year-old landmark which commemorates in grisly detail the prologue and aftermath of the city's destruction on 9 August 1945, six days before Japan's surrender.

For years, critics inside and outside Japan complained that while the museum made much of the suffering of the bomb's victims, it failed to explain the events leading up to its use, especially Japanese atrocities in Asia during and after the Second World War. The revised exhibit was intended to remedy this. But after anonymous phone threats and complaints by conservative members of the city assembly, the museum's administrators have removed several of the exhibition's most controversial elements.

Photographs of Chinese civilians massacred by the Imperial Army during the notorious Rape of Nanking in 1937 have been replaced with those of victorious Japanese soldiers marching into the city.

Pictures of the so-called Bataan Death March in the Philippines, during which thousands of Allied prisoners of war died of hunger, torture or exhaustion, have been removed; in their place will be photographs of Japan's lightning attack on Pearl Harbor.

According to the *Nagasaki Shimbun* newspaper, printed texts in Japanese and English have been altered to delete such passages as the following: "Harbour feelings of inferiority towards the West on the one hand, and of superiority towards Asia on the other, Japan began to walk down the road towards colonial domination of China and Korea."

A-bomb exhibition is altered to appease nationalists, writes Richard Lloyd Parry

Panels focusing on foreign prisoners killed by the atom bomb, and Japanese aggression before and during the war, have been replaced by photographs of the bloody battle of Okinawa, in which 147,000 Japanese civilians died under an American bombardment.

Yoshio Tanaka, the director of the city's atomic bomb

actuality of events such as the 'Rape of Nanking', 'comfort women' and 'forced labour', it read.

Presenting an exhibition... when there is absolutely no consensus about these events will hinder the objective and accurate understanding of visitors". Apart from a dozen letters making similar complaints, the museum has also received threatening phone calls.

Finally last month, a group of conservative members of the city assembly lodged a formal protest.

City officials expect noisy demonstrations when the exhibition formally reopens on Monday. The spectacle of black vans draped with rising-sun flags and blaring martial music is familiar in Japanese cities, but in Nagasaki it has a particularly sinister resonance. In 1990 a former mayor of the city, Hitoshi Motohashi, was shot in the back and critically injured by a right-winger after he stated that the late Emperor Hirohito "bore responsibility for the war".

In the run-up to the 50th anniversary commemorations last August, controversies about the war smouldered on both sides of the Pacific. The former prime minister, Tomiichi Murayama, laboured for months to pass a resolution in the Diet apologising for the country's wartime misdeeds. But even a watered-down compromise motion was angrily denounced by the right.

Ironically, the Smithsonian Institution in Washington ran into similar trouble last year for diametrically opposite reasons to those dogging the Nagasaki museum. An exhibition about the *Enola Gay*, the B-29 plane which bombed Hiroshima three days before the attack on Nagasaki, was criticised for focusing on the consequences of the attack, and for raising awkward questions about the necessity of the bombing.

Tomiichi Murayama: Failed to get Diet to agree on apology for atrocities

survivors' department, insists that the changes were made voluntarily, in order "to describe history more objectively."

Privately, however, the city officials are in no doubt that the museum has bowed to right-wing elements who still maintain the justice of Japan's war and who resent any suggestion that the country brought the atomic bombings on itself.

Earlier this month, 11 local dignitaries, including the chairman of the Nagasaki Chamber of Commerce and the chief priest of the city's biggest Shinto shrine, sent a letter of complaint "on behalf of an organisation calling itself the Society of the Rising Sun".

"There are a number of conflicting arguments about the

out and huge quantities of silt will be transported downstream, rebuilding sand beaches and creating new pools for fish to spawn.

"This is about restoring one

of the most amazing, most

beautiful places on earth," Mr

Babbitt argued. "We've gotten

all the groups to work together — environmentalists, power users, Native American tribes, irrigators — because we share a common purpose of protecting a sacred American place".

At sunrise this morning, the US Interior Secretary, Bruce Babbitt, will unwind a giant valve at the base of the dam and unleash a swirling torrent that

scientists hope will recreate

what used to be a regular phe-

nomenon in the canyon at this

time of year: a spring flood.

The hope is that the seven-day

surge will do for the canyon what

nature used to do for itself:

trees and scrub will be scourred

power and water for irrigation in six south-western states. The river is 20 degrees colder than it used to be and is clearer rather than its natural turbid brown. Scientists calculate that until 1963, spring floods would send some 65 million tonnes of sediment from Glen Canyon to Lake Mead. Since then, the flow of sediment has diminished to about 2.9 million tonnes a year.

The flood will also provide a special treat for river rafters. A limited number of rafting companies have been given permission to ride the unusually strong rapids for the week, even though the normal season does not start until April.

There may be some less welcome side-effects, however. Trout fisheries at the head of the Grand Canyon may suffer some damage and scientists fear that marsh areas that have become

habitats for rare species of frogs may be wiped out.

Photograph: Reuter

River to run free through Grand Canyon

DAVID USBORNE
New York

More than three decades after building the Glen Canyon Dam in northern Arizona and diverting the Colorado River as it flows into the Grand Canyon, man is attempting to restore one of the most amazing, most

beautiful places on earth. The river levels will rise by about 2ft. It will take roughly one day for the surge to travel all the way through the canyon to Lake Mead.

Ecologists have long been

moaned the impact wrought by

the dam which was built in

1963 to provide hydro-electric

power and water for irrigation in six south-western states. The river is 20 degrees colder than it used to be and is clearer rather than its natural turbid brown.

Scientists calculate that until 1963, spring floods would send some 65 million tonnes of sediment from Glen Canyon to Lake Mead. Since then, the flow of sediment has diminished to about 2.9 million tonnes a year.

The flood will also provide a

special treat for river rafters. A

limited number of rafting companies have been given permission to ride the unusually strong rapids for the week, even though the normal season does not start until April.

There may be some less welcome side-effects, however. Trout fisheries at the head of the Grand Canyon may suffer some damage and scientists fear that marsh areas that have become

habitats for rare species of frogs may be wiped out.

Photograph: Reuter

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How much is this cow going to cost you?

The British beef industry has been shattered. A large-scale cull of hundreds of thousands of cattle could cost the Government £1 billion. It will mean, for your taxes, milk, cheese and meat prices and the industry's future

Farmers Food Producers Consumers Government Economy

Industries ranging from abattoirs to haulage from meat-processing to catering, would all be affected by a sustained drop in the demand for beef. Food processing and production based on beef is worth an estimated £1.6bn.

Slaughterhouses employ around 117,000 people. Jobs are bound to be jeopardised, although some could be re-employed in slaughtering sheep and pigs instead.

Pie-makers and sausage-makers would also be squeezed unless they were able to buy in foreign beef or make more pork pies instead. That, however, may be too expensive. They will also have to diversify into different products.

Caterers and beef retailers may be better able to adapt. Beefburger chains have been fast to respond, to cut their losses and get out of British beef fast. They will have to hope that the public has confidence in their promises and is prepared to trust in foreign beef instead.

In Shepherdson, an analyst at the stockbroker HBSC Markets, has estimated that beef prices could fall by a quarter. The knock-on effects on inflation would be a drop of 0.2 per cent. Rises in the prices of other meats could counteract this, but HBSC estimates that inflation overall would be lower, so helping to lower interest rates and lower borrowing costs.

Shoppers made their preferences very clear at the weekend: they don't want to eat British beef. It is extremely easy for them to switch to alternatives. At the moment pork and lamb prices per kilo are roughly the same as beef. But as prices for other meats rise to keep up with greater demand, and the price of a piece of fillet steak drops, some consumers may be tempted back again. Once a piece of steak is as cheap as bacon, consumer demand might recover.

Foreign produced beef is another alternative. During the last BSE scare, consumers bought up other meats instead because retailers didn't differentiate between British and foreign beef. This time, we can expect a proliferation in labelling and leafleting as retailers attempt to explain why their particular brand of organically reared beef or Argentine beef, for example, is perfectly safe.

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So far the Government has avoided a huge bill for compensating farmers for extra cows that are slaughtered. However, if the price of British beef collapses, the Government or the European Union will have to step in.

The EU subsidy system was not designed to support a collapse in confidence in one country alone, and may not provide enough resources to support the industry. The Government may then face demands to bale out thousands of beef farmers. Compensating farmers for their loss of income if demand for beef halved would run into hundreds of millions of pounds. This is hardly an appealing prospect for a government that wants to make further tax cuts.

Even without providing compensation, the Treasury will have to fork out. The decline of a profitable industry means lower tax revenues. Meanwhile, every extra person unemployed costs the public purse around £9,000 in benefits and tax revenues foregone. Several thousand cattle workers on the dole means hundreds of millions more pounds in borrowing for the Government.

Inflation could be around 0.2 per cent lower than expected due to falling beef prices.

The trade deficit will be bigger than previously anticipated, if exports worth around £600m continue to be banned, and imports of foreign beef are increased. The total impact could be as much as £1bn - less than 0.2 per cent of GDP.

Growth is bound to be affected. Loss of exports and the decline of a profitable industry are bound to limit growth in national income. But so long as the dairy sector remains unaffected, the impact is unlikely to be overwhelming. Analysts' predictions of 1 per cent lower growth are not yet likely.

The Public Sector Borrowing Requirement will be higher than expected. If significant compensation is required after all, then it could even be several billion pounds higher. Unless the dairy industry is jeopardised, however, the PSBR is unlikely to be high enough to push interest rates up.

Confidence in the British government and economy, however, is not high. Continued uncertainty will be bad for the pound on the foreign exchange markets.

Short term

Medium term

Long term

Impact

Conclusion

Final word

Summary

Conclusion

THE INDEPENDENT

FOUNDED 1986

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Farmers must take action

Only the voluntary slaughter by farmers of tens, possibly hundreds of thousands of cattle can restore public confidence in the beef industry. The only way of eliminating the commercial threat to the future of the industry is to eliminate beyond a shadow of a doubt the threat it poses to the consumer. That can only be achieved by eliminating all suspect cattle from herds and replacing them with clean cattle probably brought in from abroad. Only the pursuit of the very highest standards will now save the industry from years, perhaps decades of slow decline.

For far too long ministers have put the interests of the beef industry ahead of the interests of consumers. The risk to the industry of lighter regulation and higher standards has been judged greater than the risks to the health of the public. Now both ministers and the industry are learning a painful lesson: in the long run if you risk with consumer confidence you risk the future of the industry itself.

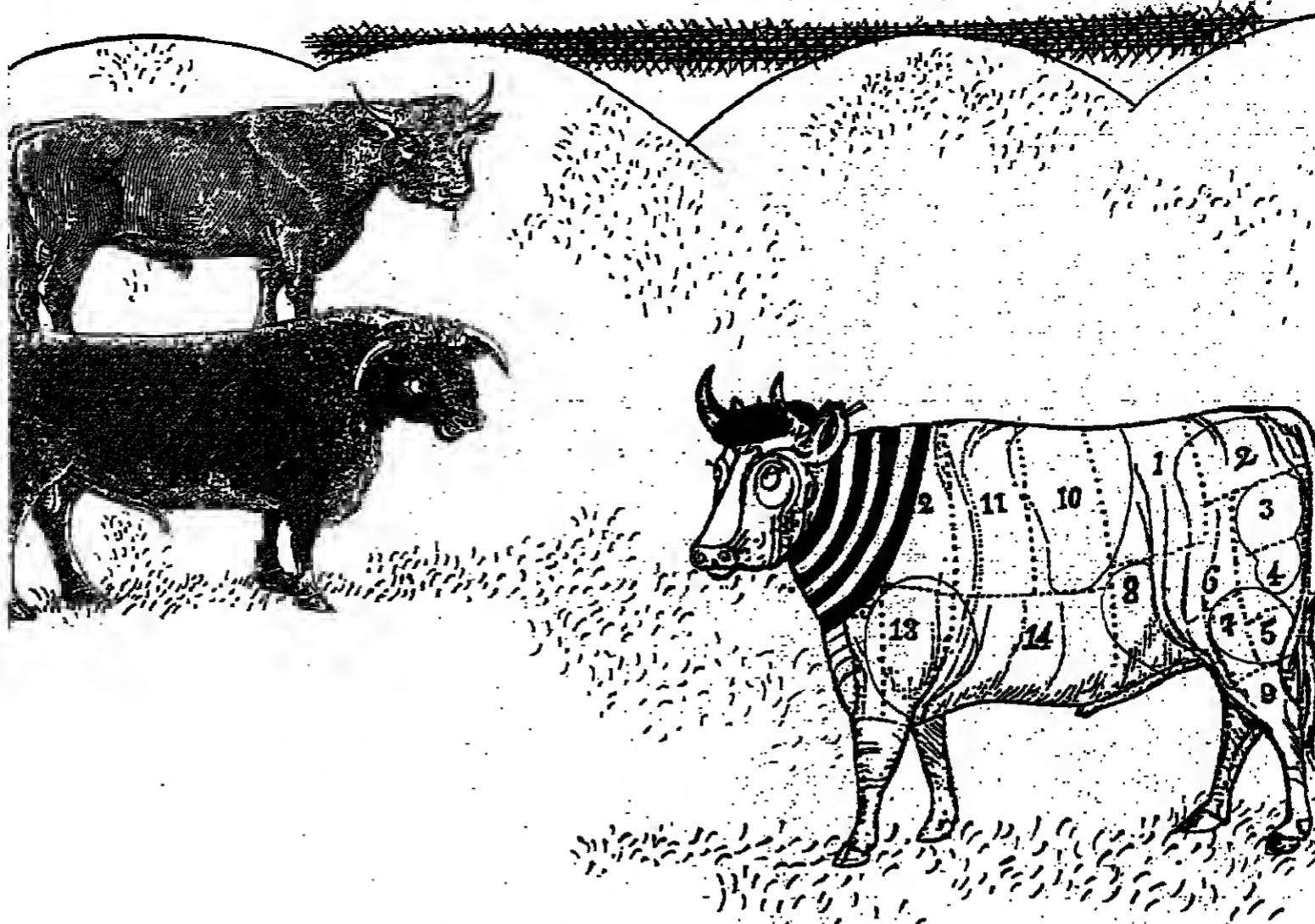
The industry is in need of a restructuring as great as the car industry in the late Seventies. By the late Seventies many ageing car plants were hopelessly uncompetitive, weighed down with outdated equipment and antiquated working practices. The British car industry is back on its feet after a massive capital reconstruction, the importation of foreign management and production methods and sweeping changes to working practices. The beef industry faces no less of a challenge and should learn from some of the lessons so painfully learnt in other industries which have had to change radically to keep the trust of their consumers. It will require far-sighted, professional and at times ruthless leadership in pursuit of the

highest standards of quality and safety. That was the message ministers delivered in the House of Commons yesterday by announcing that the Government does not plan to stem the crisis by ordering the wholesale slaughter of cattle, the measure that would have done most to restore confidence. As a result, the crisis for the beef industry will roll on and its adjustment to reality may take longer than it should.

The market will run its course. If politicians will not enforce higher standards on the industry, consumers surely will, by refusing to buy British beef. The British beef and dairy industries almost certainly will be left with a lot of unproductive, if not useless, assets in the form of cows, land and equipment, now worth far less than a week ago.

Two courses of action face the industry. It may hope that very few cases emerge of the new strain of CJD which is linked to BSE. It could disappear into its bunker, deny the scale of the problem and hope it may emerge in months, if not years, far smaller but still intact. The danger of that piecemeal approach is huge; the industry may never escape the shadow it is under. British beef will be tainted as British cars were in the Seventies. It could take the industry a decade or more to rid itself of such a bad reputation.

So a radical and far-reaching strategy clearly to put its house in order is essential. For the far-sighted farmer, that should involve the voluntary slaughter of any cows at the slightest risk of contracting BSE and the importation of completely clean herds and processes from abroad. It is time for the farmers to reassure their consumers: only actions will do.



Bloody foreigners! Coming over here and taking our jobs!

LETTERS TO THE EDITOR

Why we cannot know for sure that BSE-infected beef is harmful to humans – and why that is no comfort

Sir: The absence of proof that BSE causes CJD is frequently used as an argument for the safety of eating beef products. It is true that no causal link has been established, but I should like to explain what kind of evidence would be required to prove that BSE causes CJD.

An experiment might start with a large number of paired individuals, one of each pair being placed in group A, the other in group B. Each group would be treated identically except that where any bovine products are involved, these would come from BSE-free cattle for group A and from BSE-infected cattle from group B. The incidence of CJD in each group would be monitored over a period of time – 20 years or so. If more members of group B than group A developed CJD, it would be suggested between BSE and CJD. If none of group A developed the disease, but most of those in group B did, the evidence would be overwhelming and the link established.

Naturally, no such experiments have been done and therefore no proof of a link exists, but this is no kind of reassurance. The recent appearance of BSE, followed by a new form of CJD, strongly suggests a connection between the two. Prior diseases violate the usual rules of transmission of other infections and therefore should be given a wide berth. A deeper understanding of the molecular mechanisms of infection can only arise from research. Indeed, had the farmers' organisations been seriously concerned about the health of their stocks in the past, they could have invested in scientific research themselves to discover the bases of scrapie and BSE transmissions and hence how to eradicate them.

Dr MARK S BRETSCHER FRS
Laboratory of
Molecular Biology
Medical Research Council
Cambridge

Sir: I have listened to the debate on health risks associated with eating beef with increasing frustration and amazement. In the frenzy to cast blame on either the Government or the farming fraternity, two issues are being overlooked.

There is a farming system which has been producing BSE-free beef for many years. Beef produced on registered organic farms has never been subjected to the insult of feeding animal remains to a ruminant species. Nor has the use of organophosphate compounds (which may well be heavily implicated) ever been allowed. Beef cattle come from closed herds where the parents are alive and well. Every organic beef carcass sold can be traced directly back to the farm where it was born and thus its parentage established.

However, far more important is the issue of why BSE happened in the first place. Has it never occurred to the mass of British shoppers that their relentless quest for cheaper and cheaper food has led to the debasement of our food production methods? The only way British farmers can respond to this is to find cheaper and cheaper food sources – dead sheep in the case of beef cattle – and resort to using more and more potent chemicals, whose long-term effects are unknown, on both their land and livestock. There is no point in complaining about BSE, broiler chickens, battery farming or live exports, unless one is prepared to put one's money where one's mouth is and only buy from farming systems that farm with respect for both the animals and the environment.

CHARLOTTE REYNOLDS
Buckland St Mary, Somerset

Sir: Hamish McRae (22 March) argues that commercial competition can deliver public health and that governments tend to make a mess of things, as they have done in the case of BSE. The problem is that what you do

not know about can harm you, and life is too short to know everything about meat production, genetic tampering, sperm-damaging chemicals and the rest of the long list of things that pose threats to health and nature. To be the text-book free-market consumer would be more than a full-time job, so I subcontract part of my consumer choice to elected representatives and their advisers. I trust them even less today than I did a week ago, but that does not mean that I want to go it alone and try to make sense of the mass of contentious scientific literature, dubious marketing claims and other judgements required to inform choice.

CLIVE BATES
London N16

Sir: There are remarkable similarities between the current BSE/CJD scare and a brain disease known as kuru, once common in the highlands of Papua New Guinea. Kuru, like BSE/CJD is a fatal prion disease passed on through eating infected meat. A kuru epidemic was averted through a complete ban on eating the meat of the offending animal (in this case *Homosapiens*). No one born since 1959, the year cannibalism ceased in the PNG highlands, has died from kuru.

CHRISTINE SMITH
London E1

Sir: As a gay man with vegetarian leanings, might I expect to hear former Chief Constable James Anderson now tell CJD-afflicted meat-eaters that they are swimming in a cesspool of their own making?

JAMES SCOTT
Milton Keynes, Buckinghamshire

Sir: Today (reports 22 March) we are told that "the more educated the household, the less likely it is to eat meat". On the same page we learn that the vast majority of the Cabinet are unrepentant beef eaters. Could this explain the state of the nation?

KENNETH RICHARDSON
London N7

Sir: The only thing known for certain about BSE in cattle is that it causes hypochondria in humans. BASIL DEWING
Great Malvern, Worcestershire

Company law stifles enterprise

Sir: John Monks (Letters, 20 March) makes a point of great importance which is undiminished by the fact that it is not new.

In 1973 a CBI report on *The responsibilities of the British public company* (the Watkinson Report) also underlined the inadequacy of a company law which made shareholders the sole legal beneficiaries and stated as a principle of corporate conduct that "the board has to forge closer relationships with its employees towards a common purpose". The report and its recommendations were promptly shelved.

Last year the Royal Society for the Encouragement of Arts, Manufactures and Commerce (RSA) published the result of an imaginative initiative, *Tomorrow's Company*, which argued that only the "inclusive" company, which effectively balanced the interests of all its stakeholders – employees, customers and community, as well as shareholders – would thrive in an increasingly competitive world.

No, I don't think that's ... You yourself have been known to refer to the programme as an interview or even a cross-questioning. It has now got the point where Roy Plomley's widow, Diana, has publicly expressed unease over the fierce style you have adopted. It must be very distressing for you to be dismissed by her.

No, I ...

We now come to the Gordon Brown affair, over which many people felt that you should have resigned ...

The problem is the ease of measurement of the present sole legal obligation through a financial "bottom line" which allows companies to be judged – and then bought and sold – simply as properties, rather than being regarded as dynamic entities which exist to provide a product or service profitably through the harnessing of human, financial and technological resources.

Additional measures of performance therefore need to be urgently sought. If companies had to report on the enhancement of their human potential through investment in skills and training and if company takeovers had to honour these obligations, which could be simply enforced in law, then perceptions and actions would begin to change.

Exhortation is not enough. Perhaps with the publication of the two *Competitiveness* White Papers and their depiction of our inadequate industrial performance, and with the diminishing party politicisation of both CBI and TUC there may now at last be a chance of action.

Sir GEOFFREY CHANDLER
London SE10

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Sir GEOFFREY CHANDLER
London SE10

Saving young drop-outs

Sir: Wednesday's timely report by the British Youth Council on young people is the latest in a line of recent research reports. Last week's, by Training and Enterprise Councils, revealed how over 100,000 young people aged between 16 and 20 were falling through the net of educational and training opportunities.

We do not need any more research. Action to help them is urgent. Such action needs to concern itself for the long-term with remedying deficiencies in schooling or training. But it must also find ways of working effectively now with those who have dropped out. In this context, modest investment in Britain's youth service with its mosaic of projects, including the Prince's Trust, and street-based youth workers would do much to lift levels of basic skills, promote social inclusion, and restore hope to the young underclass.

TOM WYLIE
Leicester

Boundaries of political science

Sir: David Gardner (Letters, 16 March), is wrong to assert that the study undertaken for the BBC and ITN constitutes "the only serious independent academic study" of the impact of changes to constituency boundaries. In a paper to be published shortly in the *British Journal of Political Science*, we employ an alternative approach which produces a figure very similar to that of Dr Mawhinney.

INTERESTINGLY, in the light of your earlier report on the battle for the Labour nomination in Swindon North, that seat provides the best example of the scope for disagreement. Using local election results (the BBC/ITN method) suggests a Labour lead of almost 1,000; basing the estimate on changes to the socio-economic composition of the seat (our method) indicates a Conservative majority of over 7,000.

Estimating the outcome of hypothetical contests is an inex-

act scienc-

PROFESSOR RON JOHNSTON
Dr DAVID ROSSITER
Department of Geography,
University of Bristol

DR CHARLES PATTER
Department of Geography,
University of Sheffield

High culture in medieval Ireland

Sir: Andrew Barr (Letter, 22 March) suffers from the same culpable ignorance that afflicted his English ancestors in the 13th century, when they "really did believe that the Irish were a backward people".

Where does he think the Book of Kells came from? Could a people "barely emerged from the Stone Age" have produced it?

Before the Anglo-Normans set foot in Ireland, that country was world renowned as a centre of literary, medical and religious studies. Irish monks spread their learning throughout Europe and the Anglo-Saxon lands.

Among their social classes – elected kings, warriors, priests, poets, lawyers and farmers – land was held in common and women had a high status. Their sophisticated Breton laws were more concerned with resolving disputes than inflicting punishment. Backward?

S. SAWYER
London NW1

Local democracy in poor health

For the sake of a petty plot, Tory councillors in Westminster are said to have housed 150 families in tower blocks with a known asbestos problem. They subsequently did nothing to monitor the families' health. This is a gruesome cynicism even by the scandalous standards of municipal government. The accused councillors – in a report commissioned by the current Tory leadership from an unimpeachable county official – turn out to be the same crew whose policies for housing the homeless were labelled as culpable and surchargeable by the District Auditor.

Lady Shirley Porter, the council's flamboyant leader in the Eighties, made local government live a little: she was a person with vision and ambition. Local government has all too few of them. Yet her administrative record was a disgrace – we have the word of the District Auditor, John Magill, on that. So it's no wonder Labour is jumping up and down at being handed yet more evidence of the Conservatives' record for sleaze in government, local as well as central. After all, the Tory Party chairman Brian Mawhinney's eyes and ears are ever twitching on the look out for examples of local Labour extravagance or wrong-doing. But Labour should be wary. Loony leftism as demonstrated by Lambeth and Liverpool in the Eighties is still fresh in the memory.

According to figures provided last week by the Audit Commission, both of them have a long way to go before they can be said to be providing residents with even minimally efficient services.

So before engaging in another bout of



MILES KINGTON

Was there ever a time when you felt that one or both of your parents should have resigned over this?

Not particularly, because ...

Then came the 1950s. Sue Lawley. You went to school in Worcester. Then came the 1960s. You went to Bristol University. The 1950s were the era of Elvis Presley and the Angry Young Men. The 1960s saw the Beatles and the birth of the modern era. Yet all you did was go to school and university in the provinces somewhere between here and Wales. Not exactly an exciting way in which to pass two crucial decades, was it?

Well, at that age ...

At Bristol you studied modern languages. Some people would say that your subsequent career, in which you have publicly spoken nothing but English, was a betrayal of your university teachers' efforts to

make you a polyglot – even worse, a waste of taxpayer's money.

Oh, I don't think ...

There was, I believe, more than one embarrassing incident at Bristol University involving you.

Well, if you are thinking ...

Then you entered into the 1960s, a time when young people finally found themselves as a generation, and did their own thing, a time of Woodstock and the Rolling Stones and drugs and Indian gurus and stars and the Oz trial!

However, you chose to celebrate this decade of freedom and individualism by taking a Thomson Newsweek graduate trainee scheme with the *Western Mail* in Cardiff, then going to BBC Plymouth as a junior reporter. Hardly a case of doing your own thing and letting it all hang out, some might say.

Yes, I suppose ...

You also got married, not once but twice. The fact that you got married a second time suggests very strongly that your first marriage was a failure.

Yes, it ...

You must have been devastated at the time.

What time?

So there you were, Sue Lawley, nearing 40 and apparently not making a go of it. You couldn't make up

your mind about marriage, you couldn't make up your mind whether you were a journalist or broadcaster, an interviewer or reporter. Then out of the blue in 1988 you were offered *Desert Island Discs*. You must have thought: here's a cushy little triflet!

Oh, I ...

Desert Island Discs had been created by Roy Plomley as a friendly haven where he and a guest would chat amiably about the guest's life and tastes and music. You, however, have turned it into something very different. You have tried to make it confrontational. If a politician comes on, for instance, you find it hard not to ask him when he first realised he would never be Prime Minister.

No, I don't think that's ...

You yourself have been known to refer to the programme as an interview or even a cross-questioning. It has now got the point where Roy Plomley's widow, Diana, has publicly expressed unease over the fierce style you have adopted. It must be very distressing for you to be dismissed by her.

Business

THE INDEPENDENT • Tuesday 26 March 1996

BUSINESS NEWS DESK: tel 0171 293 2530 fax 0171 293 2098

Halifax pays £800m for Clerical Medical

JOHN EISENHAMMER
Financial Editor

The Halifax, Britain's biggest building society, bought the life insurance mutual Clerical Medical for £800m yesterday, signifying its determination to become a broadly based financial services group before converting to a bank next year. The acquisition ends months of speculation about Clerical Medical, one of a large group of middle-sized life offices which are reeling under the pressures for consolidation sweeping the sector.

Some 625,000 Clerical Medical members will get £11m of special bonuses added to their policies plus an allocation of £100m to increase with-profits asset shares which will boost subsequent bonus calculations.

Clerical Medical policyholders must have taken out a with-profits policy by midnight 22 March, and must hold it until the deal is completed, which is expected to be the end of this year. For the holder of a typical £30,000 with-profits endowment policy which has been forced for 15 years, the special bonus will amount to £2,172.

The Halifax had to beat off strong competition from Abbey National, NatWest Group and Sun Alliance to clinch the deal with what analysts regarded as full price. But the push into the life insurance sector was regarded as making sound strategic sense. "Halifax has 17 million customers, almost none of whom buy long-term savings products with the Halifax brand. It is very slanted towards the short-term savings market and wants to get a more even spread of business," said Hugh Pyc, analyst at BZW.

John Foulds, chairman of the Halifax, which reports its 1995 results today, said the purchase offered "excellent opportunities" for the converting building society's aim of being the "biggest and best personal financial services business in the UK". He expressed confidence that the "acquisition will enhance the earnings of the Halifax and therefore the value of shares to be distributed to members upon flotation in 1997". Mr Foulds said it is "very unlikely we shall make another major acquisition before converting to a plc".

The acquisition of Clerical

Medical brings a well-known insurance brand name to Halifax, as well as its strong presence among Independent Financial Advisers, which is the one distribution channel where Halifax is absent. "This is an important gap which will be filled by the deal," Mr Foulds said.

In common with many other big banks, building societies and general insurers, Halifax has been keen to buy into the life and pensions market because it believes that, despite the current difficulties, it offers considerable long-term growth potential.

The combination of an ageing population and pressures to reduce welfare spending is placing greater demands on personal saving and investment. "Having had a great run on home ownership over the past 30 years, the balance is switching back from mortgages to thrift, in the shape of sophisticated savings and investment products. Clerical Medical gives us another distribution channel for this," Mr Foulds said.

Clerical Medical said it contacted 40 potential buyers last summer after a strategic review concluded that its best option was to give up its 170-year independence and seek a strong parent. "When we looked ahead and endeavoured to see what we needed to support members' interests, we were concerned that at some point in the future we may be constrained by lack of capital," said Michael Hamilton, Clerical Medical's chairman.

Halifax was eventually selected because, he said: "in financial terms its offer was the most attractive, and it also embraced a cultural heritage in tune with our own." The insurer, which will become a subsidiary of a newly formed Halifax holding company, will retain its own identity and be renamed Clerical Medical Investment Group. It will retain its top management, and Halifax said it expected no redundancies as a direct result of the deal.

More mutual life company acquisitions are expected in the market, with Friends Provident and Scottish Amicable among the most likely targets. "I think over the next two years, eight or nine mutuals will want to be plc or part of a plc," said Stephen Dias, analyst at Goldman Sachs.

Clerical Medical policyholders will vote on the proposed deal at an EGM in June.

Comment, page 17



Mutual interests: (clockwise from top left) Mike Blackburn, chief executive, and James Crosby, managing director of Halifax; Michael Hamilton, chairman of Clerical Medical; and his colleague Robert Walther, group chief executive

Philips shares plunge after profits warning

PETER RODGERS
Business Editor

Shares in Philips, the Dutch electronics giant, plunged 11 per cent yesterday after its president, Jan Timmer, gave an unexpected profits warning at the company's annual meeting.

He said profits in the first quarter will be substantially below those a year ago because of a weak consumer electronics market and lower demand from the personal computer industry.

The warning reinforces gloom about the prospects for European economies this year. It came after a year of buoyant profits in which Philips appeared finally to have put behind it the financial problems and heavy job losses of the early 1990s. Philips shares fell 7.2 guilders to 59 guilders (£23) in heavy trading.

Analysts said this was not the

start of a repeat performance of earlier troubles. But they were surprised by the need to put out a formal warning, which indicated that the likely fall in first quarter profits could be much larger than the market has expected.

Michael Molenaar of Theodoor Gilissen said market conditions, particularly in Europe, looked tough. "If you look at prices in the shops, they're under pressure and the German economy is still weak. It's going to be very difficult to turn things around," he said.

Philips denied that the warning could be related to the Grundig subsidiary, whose restructuring is costing 3,000 jobs and heavy provisions, which have already been announced.

The impact of falling demand could spread to the UK, where Philips makes electronic components, but company

sources said there was no reason to see this as leading to job losses.

Mr Timmer said: "Net income

from normal business operations in the first quarter of 1996 will be substantially below the excellent first quarter of 1995."

"The shortfall is mainly caused by the continuing weak market conditions for consumer electronics in Europe and the USA. Moreover, lower demand from the PC industry is negatively affecting the profitability of PC monitors and semiconductors."

Philips said that it planned to do everything possible to avoid a fall in earnings for the whole of 1996. Net profit was 544m guilders (£214m) in the first quarter of 1995 and 2,688m guilders for the whole of last year.

"First-quarter profit from ordinary operations could be as



Shortfall: Philips chairman Jan Timmer

low as 300-350 guilders," compared with 544m a year earlier, said Edward Flick, an analyst at Rabobank.

He added: "Things are evidently going badly. I was particularly surprised by the gravity of their full-year statement, and also by their comments regarding the semiconductor business - it was fairly well understood that the consumer electronics market was weak."

Eric de Graaf of ING Barings said: "A substantial drop generally means in the order of 30-45 per cent."

Review fuels jobs fear at 'Financial Times'

MATHEW HORSMAN
Media Editor

Fears of job cuts of as much as 10 per cent at the *Financial Times* yesterday prompted a promise by the newspaper's editor, Richard Lambert, that any staffing changes would not "damage the quality of the newspaper", and that full details of any redundancy programme would be announced by next week at the latest.

A full-scale review of costs and editorial systems at the venerable financial title is nearing completion, and is expected to yield radical prescriptions about staffing, budget systems and other management issues. The review has been dubbed *Century Bold*, the name of a newspaper typeface, to reflect its scope and range.

The *Financial Times* chapter (branch) of the National Union of Journalists last week sus-

pended the involvement of *Century Bold* working groups, pending clarification from the company about redundancies.

In a letter to staff, Mr Lambert said he was "not yet in a position" to say if changes being recommended would lead to redundancies, but promised that any job cuts would be achieved through voluntary departures, "as far as possible".

Mr Lambert insisted there were no plans for job cuts on a "crude top-down basis". Last night he defended the review, being undertaken at the direction of Stephen Hill, the paper's new chief executive, saying "a lot of good ideas have come out". He stressed that "nothing had been decided", and that any rumours of 10 per cent cuts had come "out of the sky". The paper, one of the most highly staffed national titles, has been widely expected to follow other newspapers in announcing job cuts.

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Barclays axes 1,000 in new round of cuts

JOHN EISENHAMMER
Financial Editor

Barclays Bank announced the loss of a further 1,000 jobs yesterday, less than a month after the high street clearer posted more than £2bn of pre-tax profits for 1995. The bank said the job cuts would be voluntary, with staff invited to take part in an "early leavers scheme".

The news sparked an immediate protest from both the Banking, Insurance and Finance Union (BIFU) and the Barclays staff association, UNIFL. This announcement comes only a week after the bank told 500 staff in its nationwide network or regional offices and 450 locally employed cleaners that there was no longer any future for them in Barclays Bank, said UNIFL, which claims to represent more than two-thirds of the bank's workforce.

It said that the worst affected areas would be in London and the surrounding area as well as South-east and North-east England.

Barclays said the cuts are part of a continuing policy of cost control and rationalisation which has so far led to 18,500 jobs being lost at the bank over the last five years.

The nature of jobs will continue to change within the banking industry for the foreseeable future as we continue to concentrate on customer service roles," said a bank spokesman. He added: "We hope the early leavers scheme will prove attractive and stress that job losses will be completely voluntary."

BIFU, the banking union, accused Barclays of getting rid of

some of its more experienced staff. It said the redundancy programme will remove 647 senior clerical staff by 26 July and 361 managers by the end of the year.

"These are the people the bank and customers can ill afford to lose," said Rob MacGregor, assistant secretary of BIFU. "We're talking of some of the most experienced managers and clerical staff left in Barclays."

BIFU has warned that altogether 10,000 more jobs could go at Barclays by the end of the decade, on top of the higher figure of 21,000 that it claims have already gone since 1991.

Andrew Buxton, Barclays' chairman, recently said the union claim of 10,000 future losses "may be a reasonable estimate of the trend over the next five years".

The cuts at Barclays are part of a broad attack across the banking and retail financial services sector generally, as fierce competition puts a premium on reducing costs, while radical advances in new technology are dispensing with many of the services traditionally done by staff members.

Staff numbers across the banking industry were already down 20 per cent to 290,000 at the beginning of last year from the peak of 350,000 in 1989. There are suggestions from the likes of Sir Brian Pitman, chairman of Lloyds Bank, that a further 20 per cent will be lost by the turn of the century.

But the pace of cuts is slowing from the massive shake-out in the early years of the Nineties, when the banks tried to counter the worst effects of the recession by slashing costs.



Banking turmoil: Pay and jobs protests by Barclays staff last summer were not the end of the matter, with more cuts announced yesterday

Photograph: Edward Sykes

STOCK MARKETS					
FTSE 100			Dow Jones		
2752			21009		
3752	3565	21008	20200	19800	19700
3550	3540	19800	19400	19300	19200
3550	3550	19300	19300	19300	19300

The last price is at 12.00 hours
11/12/96 Stock index 100

INTEREST RATES					
Short sterling*			UK medium gilt*		
8.6			6.2		
8.5			6.1		
8.4	8.3	6.0	6.0	5.9	5.8
8.3	8.2	5.9	5.9	5.8	5.7
8.2	8.1	5.8	5.8	5.7	5.6
8.1	8.0	5.7	5.7	5.6	5.5
8.0	7.9	5.6	5.6	5.5	5.4

*100-day rate

CURRENCIES					
S/\$			£/DM		
1.5251			1.2297		
1.5250	1.5250	1.2296	1.2296	1.2295	1.2295
1.5249	1.5249	1.2295	1.2295	1.2294	1.2294
1.5248	1.5248	1.2294	1.2294	1.2293	1.2293
1.5247	1.5247	1.2293	1.2293	1.2292	1.2292
1.5246	1.5246	1.2292	1.2292	1.2291	1.2291
1.5245	1.5245	1.2291	1.2291	1.2290	1.2290
1.5244</td					



COMMENT

'For Clerical's 625,000 with-profits policyholders, the bonus and prospect of enhanced investment performance probably make this deal an acceptable one.'

The mutual insurers can no longer go it alone

Clerical Medical is no doubt a good deal for Halifax as it prepares for flotation on the stock market next year, but is it, even at a price of £800m, such a good one for Clerical Medical's policyholders, the company's present "owners"?

Their immediate benefit is only £11m paid out in the form of special bonuses, plus an allocation of £160m to increase the ultimate value of their policies. The rest of the money goes into the long term with-profits fund and to provide a core of shareholders' capital. Are not the present generation of policyholders being sold out for too small a price?

Don't be ridiculous, insists Robert Walther, Clerical Medical's chief executive. True, the with-profits fund could have been closed and progressively run down, leaving all the £800m for eventual distribution among policy holders, but the tax and other implications are horrendous. The proposals as put have been checked out by independent advisers and all are agreed that this is a deal in the best interests of policyholders.

The argument in favour of the deal lies largely in the greater investment freedom added capital lends to the fund. This in turn will enhance investment performance and hence the eventual return on policies, explains Mr Walther. Unit costs will also be greatly reduced as a result of the higher levels of business that are expected to flow from the Halifax link up.

Halifax is not investing in Clerical Medical out of altruism alone, however. It expects and will get a very handsome return on its investment. This is money which otherwise would have been available to policyholders. The argument thus comes down to a quite finely balanced one of whether the anticipated higher investment returns that spring from the deal outweigh the dividends that must now be paid to Halifax.

But let's give Mr Walther the benefit of the doubt. All his working life, he has served the interests of policyholders and he's unlikely to be selling them down the river now, in favour of his own aggrandisement.

Like a host of other life mutuals, Clerical Medical occupies an increasingly uncomfortable middle ground - squeezed from all sides, by bancassurers and big building societies, with more powerful distribution and resources, by the well-publicised troubles in the pensions and life insurance business and the rising costs of compliance with tougher regulation and keeping up with IT.

Most of these problems can be reduced to one word: capital. Clerical Medical, like countless other offices which will probably go the same way, does not have enough and faces no obvious way of generating it. The Halifax, a giant in its own right, has coffers full of the stuff. And so do the other big banks and insurers which lost out this time round, but are still keen to expand in the life sector: Abbey National, NatWest Group

and Sun Alliance, to name but a few. Clerical Medical plugs a big gap in Halifax's network, the IFA market, and brings it known-brand insurance products. Clerical is convinced it has extracted more than a good price for its independence.

On the other hand, it should not stretch the Halifax team's skills to make this deal revenue-enhancing from the word go. For Clerical's 625,000 with-profits policyholders, the bonus and prospect of enhanced investment performance in the years to come, probably make this deal an acceptable one.

Bernard Arnault should simply be patient

What does Bernard Arnault, chairman of France's LVMH, really want out of his 21 per cent shareholding in Guinness? Plainly he is unhappy with the present situation, which has seen Guinness's share price underperform the rest of the stock market very substantially over the last five years, a process which has been enhanced in M. Arnault's case by the rapid appreciation of the French franc - he gets far fewer francs for his pounds than used to.

Furthermore, having nearly £1bn massively locked up in Guinness at a time when Louis Vuitton luxury goods business is generating such spectacular returns does not look like a very effective use of capital.

But is he prepared to rock the boat in his desire for greater shareholder value? The answer is probably not, despite the recent flurry of speculation along these lines. The last thing that M. Arnault wants is a proxy fight with the rest of the Guinness board, which is still largely opposed to any thought of demerging or selling the group's original and other heater interests.

M. Arnault is a very private businessman who shuns the limelight. The "cascade" structure he uses to control his business empire may be common enough in France, but among Anglo-Saxon investors it is thought highly controversial. If M. Arnault were openly to push for demerger, it would probably rightly be seen as an attempt to gain control of Guinness's branded liquor business via the backdoor. So he is not going to go public with such a solution.

But if the demerger proposal were to be put forward by others, he would vote for it like a shot. M. Arnault is not interested in beer, which he sees as a commodity drink quite out of sync with his other interests. It is in any case a peculiarly un-French drink. For choice, M. Arnault would like to realise his investment in Guinness's beer interests, and reinvest it back in France, while keeping intact the rest.

For the time being, however, Anthony Greener, the Guinness chairman, won't budge. Eventually, however, Mr Greener has to do something more than buy his own shares to get his stock price out of the doldrums. M. Arnault doesn't need to engage in Napoleonic bravado to get his way. All he has to do is wait.

Securicor shareholders finally surrender

Its operating companies might be high tech and fashionable enough, but in other respects Securicor has remained a Georgian relic of a company - three classes of shares plus all its main operating companies in a completely different quoted group. Most large companies abandoned two-tier structures long ago, either embarrassed into it by the City or forced into it by reticent shareholders.

The controlling shareholders in this case are the trustees of the Eskin family who founded the company in 1923. The war may have been over long ago for everyone else, but this family has continued to hold out. Strangely, the eventual price of surrender is not a high one. The family gets more shares in return for surrendering its powerful voting block, but not as many as you might think.

Never mind though. So pleased was the City that all classes of share went up, leaving the family substantially richer. Having unlocked some value with this capital restructuring, the one remaining buried treasure is the Celinet stake. Securicor can only realistically sell to BT, a deal which the DTI will not sanction. Yet.

Maxwell battles to stop new judge

JOHN WILLCOCK

Lawyers for Kevin Maxwell are challenging the appointment of a new judge to try him later this year on further charges resulting from the collapse of his father's business empire.

Alun Jones QC said yesterday that they had applied for a judicial review, arguing it was "unlawful and irrational" for the Lord Chancellor not to let the original trial judge, Lord Justice Phillips, continue with the case.

Kevin Maxwell appeared at the High Court before the new trial judge, Mr Justice Buckley, for what was to have been a formal preparatory hearing. But because of the pending review, it became merely a short administrative meeting.

Mr Justice Buckley said he lent his support to getting the review application heard as soon as possible, so it would not interfere with the trial's timetable. "Whatever the outcome I hope it will not engender delay to the proceedings as a whole," he said.

Estimates on the next trial's length range from anything between 18 weeks and 18 months, with a possible start date of October. Kevin, a former Maxwell financial adviser Larry Trabertberg and a former company treasurer Albert Fuller face charges of conspiracy to defraud.

The charges relate to shares in Berlitz held by the Maxwell business empire, which it is alleged were pledged to a number of different banks as collateral for loans. As a result the banks lost more than £100m, it is alleged.

The former Mirror Group finance director, Michael Stoney, also faces trial on two charges of false accounting. All charges against Kevin's elder brother, Alan, were dropped by the SFO following the first trial.

It is understood there are worries that Mr Justice Buckley might not have sufficient time to read in the intricacies of the allegations which have occupied top lawyers for over four years, generating millions of pages of documents.

The judge is no stranger to complex cases involving allegations of corporate crime. He presided in the 1992 trial of executives accused of corruption arising from an investigation into British Rail engineering contracts.

At the end of the prosecution case he ordered the jury to return not guilty verdicts after ruling that the relationship between British Rail's engineering division and a contractor had not been corrupt.

Lord Justice Phillips had been involved with allegations involving Robert Maxwell's empire since 1993 and has impressed legal teams for both the prosecution and defence with his mastery of the issues. Despite a lobby for him to see the saga to its close, Lord Justice Phillips is understood to have been keen to return to the High Court, where he is a Lord of Appeal.

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Marshall clears the decks at Inchcape

MAGNUS GRIMOND

Inchcape, the world's largest motor distributor, yesterday attempted to draw a line under its troubled past by slashing the dividend, removing its chief executive and announcing huge write-offs and the disposal of peripheral businesses.

Sir Colin Marshall, the chairman, who is seen as having driven the shake-up at the group, said he was cautiously optimistic that 1996 as a whole should show an upturn in the group's fortunes after three years when a soaring yen and tough markets have played havoc with sales of the group's mainly Japanese-built cars. Inchcape would focus on becoming an international distribution group, he added.

The market, already braced for bad news, breathed a huge sigh of relief that the floodgate was not worse and the shares rose 10p to 272p.

The final dividend is cut from 9p to 4p, reducing the total for the year from 15p to 10p. Sir Colin said this level was deemed appropriate, given the sharp fall in profits last year from £228m to £174m. The aim was for earnings per share to cover the dividend twice over, he said. Last year, earnings slumped from 26.4p to 14p, even before a £65.2m charge.

Charles Mackay, chief executive for the past six years, steps down with immediate effect, to be replaced by Philip Cushing, formerly managing director of the group. Mr Mackay will remain with the group as deputy chairman until the end of June to oversee the hand-over of responsibilities. Currently on a two-year rolling

contract and paid £380,000 in 1995, he is expected to pick up around £800,000 on his departure, which will include no bonus for last year. Mr Cushing's salary of £300,000 last year will go up, but not to the former level of Mr Mackay's.

Sir Colin said the decision to reduce the number of businesses "threw a spotlight on the top-heavy position at senior management level itself. As a consequence of that, I reached an agreement with Charles Mackay that he step down as chief executive."

Inchcape said it would sell its testing services business, one of the world's largest laboratory testing operations, and is considering the demerger of Bain Hogg, the UK's largest retail insurance broker. Last year, the group declared its intention of floated Bain Hogg after talks to sell the business apparently broke down. The group has already received expressions of interest in the testing business.

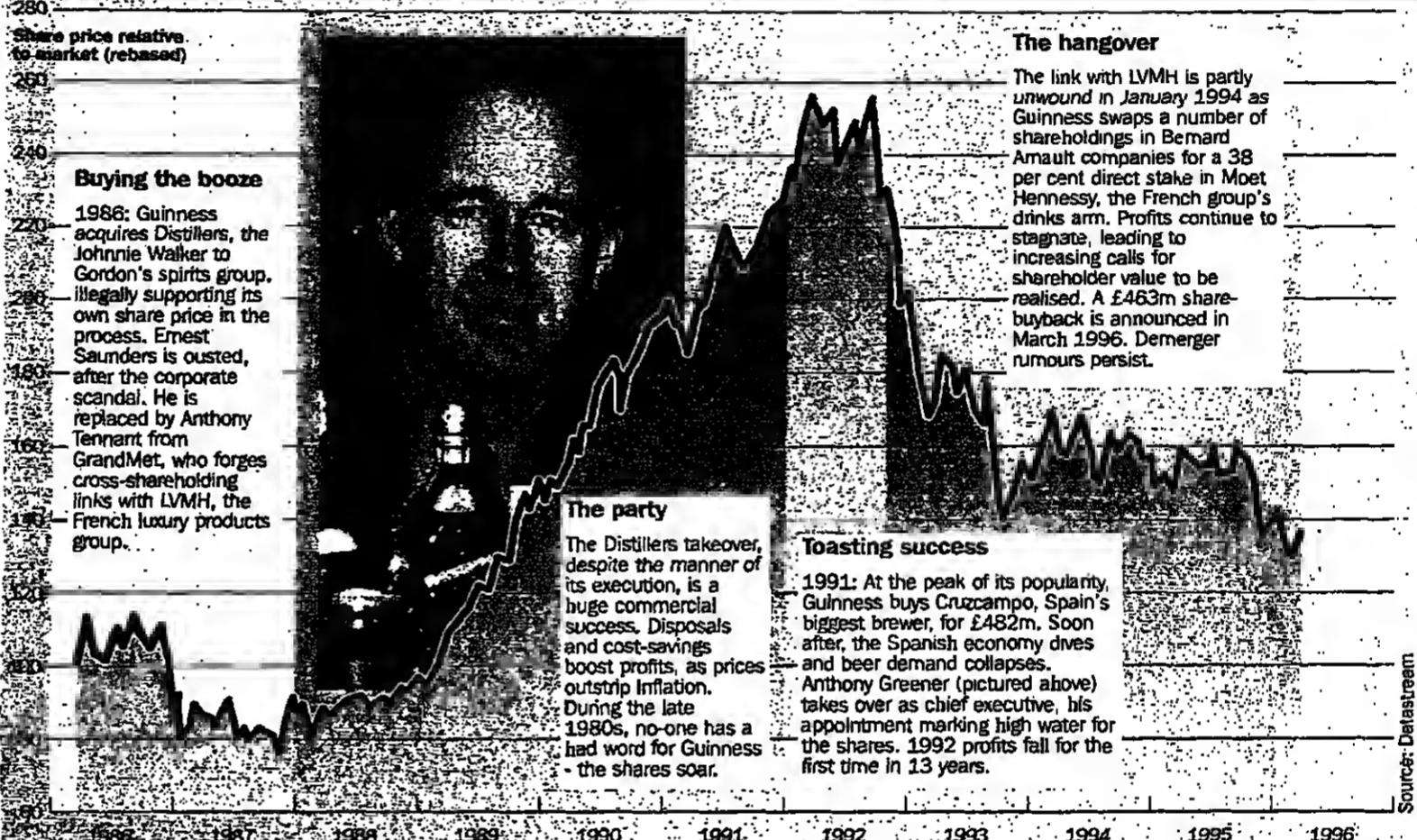
No details of the disposals were given yesterday, other than that they would take place in 1996, but brokers were pencilling in a value roughly equal to last year's turnover of £235m for testing services and up to £300m for the insurance broker.

Profits in the main motors business, which includes one of the largest UK motor retailers, crashed from £148m to £97.4m.

The main problem was in the import and distribution operation, where heavy marketing expenditure was required to stem the loss of market share by the group's Japanese marques. Mr Cushing said UK volumes had been at record levels and Greece was ahead.

Investment column, page 18

Guinness: the morning after the night before



Break-up pressure on Guinness eases

TOM STEVENSON
City Editor

The pressure on Guinness to demerge its brewing and spirits divisions eased yesterday as analysts questioned the value of the proposed unbundling. Sources close to the company's largest shareholder, Bernard Arnault of LVMH, also moved to downplay suggestions he was pushing for a break-up, pointing to a boardroom split on rumours of a boardroom split.

Guinness shares edged higher, closing 3p up at 468p, as the market milled the break-up rumours swirling round the

drinks sector. GrandMet and Allied Domecq, the other large players in the spirits industry, are also under pressure to raise shareholder value in the face of stagnating worldwide demand and poor share price performance.

At GrandMet's most recent annual meeting Lord Sheppard, its outgoing chairman, confirmed that the board had considered a demerger - although it had ultimately rejected the proposal.

Analysis were divided yesterday on the precise value of splitting Guinness's stout brewing activity from its Johnnie Walker whisky to Gordon's gin

arm, but most agreed that the available gains rested to a large degree on the bid premium the market would certainly attach to the shares in the newly formed companies.

One analyst, who asked not to be named, put a break-up value of only 485p on the two businesses, barely above the current share price. That reflected a small premium for the brewing division, offset by a discount to the market rating for spirits to reflect its low growth prospects.

Alexander Oldroyd at Morgan Stanley was more bullish, suggesting the underlying value of the parts could be as high

as 530p even without a bid premium. The brewing side especially is thought unlikely to last long as an independent entity with its strong global position almost certain to attract a bidder.

Guinness yesterday stuck to its stated position that there was a high degree of synergy between the two sides with drinkers moving easily between both beer and spirits and plenty of marketing lessons to be learned from each other.

After a disappointing set of full year figures last week, however, the company remains under pressure to maximise shareholder value. As the chart

shows, Guinness shares have underperformed the market as a whole throughout the 1990s after massively outperforming other shares in the previous decade.

The fall in value of Bernard Arnault's stake has been compounded by a plunge in the value of sterling against the French franc. He is, however, understood to have no intention of reducing his stake in Guinness and he made it clear last week that he had no quarrel with Tony Greener, the Guinness chairman, or doubts about the way in which the company was being managed.

IN BRIEF

• Lucas Industries, which yesterday announced new orders worth £500m, may team up with a French company to make a bid for Valeo. French car makers warned that Valeo should not fall under foreign control when it emerged that 28 per cent of the company was for sale. France's *Le Monde* newspaper reported that Lucas is talking to SAGEM about a joint bid. Meanwhile, Lucas has won orders from Ford, Renault and Fiat to supply a new diesel fuel pump over the next five years.

• Institutional investment declined to £12.5bn in the final quarter of 1995, from £14.1bn the previous quarter. The drop was due mainly to a fall in net investment in short-term assets and overseas securities. Investment in gilts jumped from £2.5bn to £4.2bn. The quarterly changes reversed the pattern for the full year. Total net investment by institutions in 1995 was £44.7bn, down from £52.5bn in 1994. For the year as a whole, investment in gilts and UK company securities was sharply lower, down to £14.7bn from £20.9bn and £5.3bn from £21.3bn respectively. Investment in short-term assets rose to £11.6bn from £3.1bn and in overseas securities from £3.4bn to £8.1bn.

• New home sales in the US rose more than expected in February. Although recent signs of surprising resilience in the economy have dashed market hopes of lower interest rates, Treasury bonds rose ahead of today's meeting of the Federal Open Markets Committee. Sales of new homes rose 6.5 per cent during the month to an annual rate of 3.9 million units, after falling 3.9 per cent in January.

• British Energy, the soon-to-be privatised nuclear company, will pay an initial £230m into a segregated fund to cover the costs of decommissioning plant, with annual payments of about £10m thereafter. Ian Lang, Secretary of State for Trade and Industry, confirmed the size of the fund at the official opening of the newest nuclear power station, Sizewell B in Suffolk. There has been criticism that the fund does not cover enough of the back-end costs of waste disposal and management associated with the power stations to be sold.

• HP Bulmer, the Strongbow and Woodpecker cider company, plans to acquire Iuchi's, the UK's third-largest cider group with a 7 per cent market share. Bulmer said the acquisition would strengthen its position in the market. Devon-based Iuchi's makes White Lightning and Stonehouse cider, selling 8 million gallons in the year to last September, compared to Bulmer's 103 million.



Sharper focus: Sir Colin Marshall is cautiously optimistic about an upturn in the group's fortunes

Forth rules out bid for Port of Dover

RUSSELL HOTTON

Forth Ports, the fast-growing privatised ports operator, has put expansion plans on hold while it integrates recent acquisitions of operations at Tilbury and Dundee.

Although Forth said it would keep a watch on the sell-off of Tyne port, the company has ruled out a bid for the Port of Dover and said its priority this

year was to invest in existing operations. Forth yesterday unveiled annual pre-tax profits up from £13.9m to £15.3m, results that were ahead of City expectations. The acquisition of Tilbury for £121m in October, combined with the £8.5m acquisition of Port of Dundee in November, helped lift total group tonnage at Forth to 48.7 million tonnes from 44.4 million in 1994.

Alistair Fleming, who took over as chief executive last month, said the planned development of Tilbury would mean an increase in the throughput in its core port operations this year. "We see a lot of upside at Tilbury. I expect to see the momentum of volume growth continue," Mr Fleming said.

The current year would be one of consolidation, he said.

The Port of Tyne is said to be

the best of the best group of port operations to be privatised, but Forth appears unlikely to be among the bidders. "We would simply look at Tyne, because we would look at any port coming to the market," the company said.

Investing in facilities to win new business was the priority. The transfer of the container businesses of Geest and Bell to Tilbury from 1 May would see a "very substantial" increase in

business

Inchcape aims to build from new base

THE INVESTMENT COLUMN

EDITED BY TOM STEVENSON

Inchcape's decision to dump the pilot, cut the dividend by a third and take a massive write-off is, on the face of it, a classic kitchen sink job. Wiping the slate clean in terms of management and profits always impresses the City and will give the motor distribution to shipping group a new base from which to build. The group will be desperately hoping that yesterday's 8p bounce in the shares to 270p marks a change in sentiment after a near two-thirds underperformance against the rest of the market over the past three years.

But Inchcape is no sprawling conglomerate. The late Sir George Turnbull saw to that when he took the helm in 1984 and transformed a sleepy colonial trading empire into a more focused distribution and services group.

Indeed, dumping the Bain insurance broking and the laboratory testing businesses will dilute profits in the short term. Brokers suggest it will be lucky to pick up much more than £500m for the pair, which means interest income of less than £60m will replace combined profits of £56.5m last year. Adding insult to injury, insurance and testing were the group's only main divisions to raise returns last year.

Inchape's problems are much more cyclical, however. Around 40 per cent of sales are dependent on the import of mostly Japanese cars and even their marketing appeal could not cope with the yen's appreciation by around a third over the past three years. The European business seems to have suffered worst, slumping to a £14m loss after an 8 per cent drop in volumes in 1995. But the extent of the problem is illustrated by the fact that in the rest of the world volumes were down 17 per cent, compared with a 19 per cent worldwide increase for other marques.

Whether last year's 36 per cent fall in pre-tax profits to £147m, before the £5.2m restructuring charge, marks the low point remains to be seen. The yen has weakened since last year, but political uncertainty has resulted in sales in Hong Kong, once one of the group's most lucrative markets, diving by be-

tween 40 and 60 per cent this year. Toyota and the other big Japanese manufacturers are busy cutting costs and moving production offshore, but it could be another two to three years before the benefits become apparent. Assuming profits before disposals rise to £165m this year, the shares stand on a premium forward rating of 16. Still unattractive.

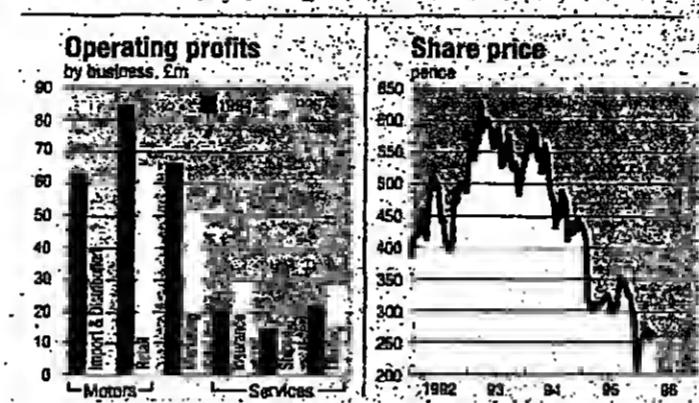
Morgan still raising profits

Morgan Crucible's decision to concentrate its resources on building strong positions in technologies serving a wide range of industries

Inchcape at a glance

Market value: £1.44bn, share price 270p

	1991	1992	1993	1994	1995
Pre-tax profits (£m)	196	250	271	228	174
Dividends per share (pence)	11.75	13.75	14.8	15.0	10.0
Operating profits by business, £m	1991: 11.2 1992: 11.2 1993: 11.2 1994: 11.2 1995: 11.2				
Share price (pence)	200	300	400	500	600



continues to pay dividends. Despite varying fortunes amongst its customers, the carbon brushes to metalurgical ceramics group still managed to raise profits another 17 per cent to £5.2m in the year to 4 January.

Stripping out the Holt Lloyd car polishes business, sold for £57.5m in 1994, underlying fully-diluted earnings rose a chunky 22 per cent to 25.4p. A final dividend of 7.55p takes the annual total up from 13.1p to 13.8p, somewhat behind the rise in earnings as Morgan prudently increased the cover to two times.

With no more than 8 per cent of sales going to any particular industrial sector, the group was able to shrug off the weakening of the automotive and US defence industries as the year wore on. The slack was taken up by areas

like chemicals, electronics and telecommunications. Morgan's diversification has allowed it to weather the loss of US defence sales in its Wesgo ceramics business and further restructuring in the electronic defence operations, now 70 per cent defence-related, should reap similar rewards.

In the short-term, however, £1.6m of restructuring costs and £800,000 spent on a new laser-cut operating profits from the specialist materials from £1.7m to £1.6m last year.

Acquisitions, which chipped in £5m,

and restructuring helped Morgan's other three division record healthy rises in profits and margins. At 12 per cent, up from 10.5 per cent the year before, the group is close to its target of 15 per cent. Carbon, on 14.6 per cent in 1995, will be lower this year, but at between 10 and 12 per cent, the rest of the group has a bit to go yet.

Last year's margins rode higher on the back of strong volume growth and price rises of up to 5 per cent, but Morgan's main markets may have peaked, at least for the time being. Even if orders are currently 6 per cent ahead, there are signs of weakness in some of the main developed economies.

Morgan is expected to turn in £98m this year, which would put the shares, down 13p at 412p, on a forward p/e of 14 or 15. Fair value.

The Internet businesses are either embryonic or in highly competitive niches, such as Internet phone networks or the "search engine" end of the market where Yahoo already dominates. They may come good, but are unlikely to give much of a revenue stream any time soon.

With pre-tax profits this year estimated at anything between £1m and £2m, the shares are trading, after yesterday's drop of 32p to 90p, on a multiple of at least 13 times, ranging up to 25 times if the lower profit figure turns out to be right. Highly speculative.

Shares in Internet-related companies are not for the faint-hearted to judge by the roller-coaster ride of Firecrest, one of the most heavily hyped of recent issues on AIM. Launched at 38p last summer, the shares soared to as high as 203p in November, on news of

the company's exclusive deal with a US company to provide cheap telephone calls over the Internet.

Firecrest took advantage of the huge demand to place additional stock at 120p. By Christmas, the price had drifted down to about that level, where it stood until the next press release, this time trumpeting the launch of an online "search engine" that allows users to cruise the world-wide web on the Internet. Up went the shares yet again, this time to 180p, from where it has been downhill all the way.

It is against this background that one must judge the company's decision, announced yesterday, to issue new shares at just 50p, to raise up to £1.5m. Existing shareholders will get first call on the new stock, which might please some who bought at 120p last October and want to average down.

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business

Markets may be over-reacting to the beef crisis

Beef is a health issue; a political issue; an economic issue; and now it is becoming an issue for the financial markets, too. With hindsight, they have been surprisingly slow to take on board the full consequences of the British beef catastrophe. There was some weakness towards the end of last week, but it was clear yesterday the markets may still have some way to go before the costs are fully discounted.

This is partly because of the range of imponderables – the government and EU statements yesterday narrowed those down, but there is still a wide range of commercial effects which are still completely unclear. But it is also because financial markets have little experience in assessing an entirely new economic shock like this. There is no previous experience to go on. In that sense the beef blow is more akin to the stocks that have hit the Lloyd's insurance market – unprecedented in all its earlier history – rather than, say, the commercial property crash of the late 1980s, where what was happening could be set in its historical context.

So it is new ground. When you move into new ground the best discipline is to go back to first principles: what do we know about the way a market economy will respond to any unexpected shock. Some of the macro-economic effects are charted in the news analysis on page 13, but it might be helpful here to check the different types of effect, starting with the impact on output and inflation, then looking at the balance of payments and public finances.

Market forces will dictate that the output of UK beef and dairy products will fall dramatically over the next year, whatever the official pol-



ECONOMIC VIEW

HAMISH MCRAE

icy of the Government and the EU. The likely order of magnitude in terms of loss of continuing output seems to be £2bn-£5bn in the first year. This is made up of the loss of all beef exports (£600m), and a substantial switch out of domestic beef purchases into imported beef. Even with some off-set in greater production of other meats, it is hard to see the decline in output being less than £2bn, while £5bn is not the most extreme estimate, seems large enough to cover most eventualities.

one-off – and that the beef industry moves quickly to restore public confidence – even the higher figure should not be too alarming. The worrying thing would be if, after three or four years, we were still a beef importer rather than a beef exporter, or that we had become a substantial net importer of dairy products.

The impact of inflation will depend on the extent to which imports respond to domestic scarcity, and to what extent people substitute other meats for beef and cut out milk and

will remain low. A guess would be that the RPI will rise by less than half of 1 per cent, maybe on balance not at all.

Balance of payments? Assume we lose all beef exports for three months and that exports are rebuilt only gradually after that. Assume there is some increase in domestic production of other meat. Assume some fall in meat consumption overall and a smaller fall in consumption of dairy products. Assume, too, a sharp rise in beef imports and some rise in imports of dairy products. Now put some guesswork numbers of these, and my own tally would again come to an adverse impact of £2bn-£5bn.

It may seem strange but such are the telephone numbers on the balance of payments, and the uncertainty that has to be attached to those numbers, that this balance of payments cost does not appear significant, provided it is a one-off. Were it to be a constant drain, then it would become a more serious burden.

Finally, the impact on public finances. It was not immediately clear from the Commons statements yesterday, what compensation terms will be available, if any. There will inevitably be some loss of revenue because the business will be less profitable; all commercial losses are in that sense met in part by the taxpayer. The question is whether this loss, plus whatever compensation is ultimately paid, is material in public

accounts.

There will also be a smaller loss of output in year two, perhaps some beyond that because of the more general loss of confidence in British agricultural methods. The faster the industry responds in defining output which, as far as is possible to say, is unquestionably free from disease, the faster it will be rebuilt.

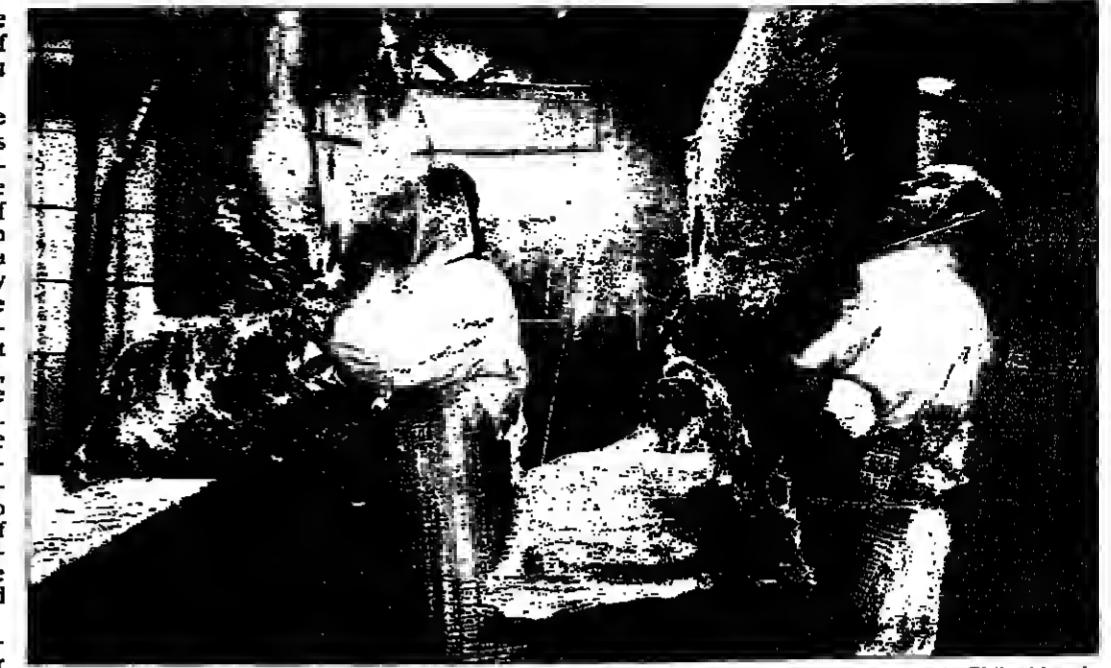
To put this into some sort of context, GDP this year will be rather more than £700bn, so the loss in year one will be something of the order of 0.25-0.7 per cent. A quarter of one per cent of GDP is not enough to notice – it is a month's growth – but three-quarters is quite a lot. However, providing that the cost is really

other dairy products. James Capel, the London brokerage arm on HSBC, suggests the impact on inflation could be more than 1.5 per cent on the RPI. But that assumes a doubling of the price of dairy products which account for 1.7 per cent of the goods in the RPI basket. If that were to happen then we would be substantial shifts out of these products.

So while the headline RPI might well rise sharply – the basket of goods

is not changed to account for short-term changes in relative prices – the impact on living standards would be much lower. In any case, a doubling of the price of dairy products seems too large. Besides, the price of beef

is hard to see this happening, since the losses ought entirely to be one-off. Assuming the industry rebuilds itself and there is therefore no on-going cost to the exchequer, a rise of a couple of billion in the PSBR in any one year ought not to be of



Grim outlook: Thousands of jobs are on the line in the beef industry

Photograph: Philip Meech

concern to the financial markets or to the taxpayer. There will be some rise in borrowings, but the idea that the beef crisis should postpone tax cuts that might otherwise take place is not really credible.

Now to translate all this into market terms. There will be a sharp impact on the feed manufacturers, as was evident in the share price of some yesterday. But the impact on the gilt market and on sterling appears overdone, were it not for one dynamic factor, which we will come to in a moment. It is unfortunate that the borrowing requirement seems to

be running rather above the level expected even last November, so any adverse impact on public finances comes at a bad time.

But the deterioration attributable solely to this crisis will be quite small in relation to the disappointments of the last five years. So any impact on the gilt market ought to be manageable.

Likewise sterling. The levels of uncertainty are so large and the current account is so close to balance that this of itself should not rationally have much impact. If sterling deserves to be weak, there are many

other justifications. What all this ignores, however, is the political dynamics of this crisis. It is very damaging not just for the Government, but for many of its natural supporters in country districts. At the margin it may make it more difficult for the Government to survive beyond the autumn. Political uncertainty is already evident.

This crisis increases it. The real explanation for the adverse market reaction may not be a cool calculation of the hard numbers but an emotional response to a further dose of uncertainty in an uncertain time.

The idea that this should postpone tax cuts that may be due is not credible

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Foreign Exchange Rates

Sterling		Dollar		D-Mark	
Country	Spot	1 month	3 months	Spot	1 month
US	1.5251	1.7	2.23	1000	—
Canada	2.0764	9.7	10.0	—	—
Germany	2.2386	9.25	15.17	14777	25.24
France	27.183	11.11	36.98	55.63	156.18
Ireland	2.3768	2.21	2.24	221.264	55.95
ECU	1.2441	15.11	45.40	12.92	7.9
Belgium	4.857	12.9	13.4	20.2370	5.8
Netherlands	5.2203	18.85	21.0	5.207	12.4
Ireland	0.7070	9.5	10.0	15.75	1.7
Norway	8.0001	16.64	20.23	22.028	4.0
Spain	3.6641	9.48	10.34	12.40	2.3
Sweden	1.1015	9.15	23.34	22.302	2.7
Switzerland	18.68	6.68	200.28	135.21	37.34
Australia	1.9713	20.31	67.65	12.95	19.21
Hong Kong	1.7392	21.6	22.07	7.7223	2.1
Malaysia	3.8790	0.0	0.0	2.5227	0.0
New Zealand	2.2194	4.67	13.53	145.92	30.2
Saudi Arabia	5.7196	0.0	0.0	2.5455	0.0
Singapore	2.3457	0.0	0.0	14.07	0.0

Other Spot Rates		Sterling		Dollar	
Country	Sterling	Dollar	Country	Sterling	Dollar
Argentina	15259	10000	Nigeria	1.2025	84500
Austria	1.5070	1.2075	Poland	0.8078	344855
China	127149	1.2349	Philippines	0.40444	225200
Egypt	3.4007	1.2025	Portugal	0.40444	225200
Finland	7.0315	4.6933	Portugal	0.40444	225200
Ghana	2.3745	1.2557	Russia	7.3952	484400
Greece	367493	24.0000	South Africa	0.6036	16000
India	52.043	3.4250	Taiwan	4.6100	272200
Kuwait	0.4566	0.2863	UAE	5.8032	36730

Forward rates quoted high to low at a discount
rates quoted low to high at a premium
*Dollar rates quoted as reciprocals.
For example, 1.2000/1.2000 means 1.2000/1.2000.
Call/put 30p per unit, (cheap rate) 40p other times.

Call/put 30p per unit, (cheap rate) 40p other times.

Interest Rates

Country	Base	600%	Germany	300%	US	875%	Japan	500%
France	1.0264	1.11	1.03	1.0264	1.0264	1.0264	1.0264	1.0264
Italy	1.0264	1.11	1.03	1.0264	1.0264	1.0264	1.0264	1.0264
UK	1.0264	1.11	1.03	1.0264	1.0264	1.0264	1.0264	1.0264
US	1.0264	1.11	1.03	1.0264	1.0264	1.0264	1.0264	1.0264

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France	1.0264	1.11	1.03	1.0264	1.0264	1.0264	1.0264	1.0264
Italy	1.0264	1.11	1.03	1.0264	1.0264	1.0264	1.0264	1.0264
UK	1.0264	1.11	1.03	1.0264	1.0264	1.0264	1.0264	1.0264
US	1.0264	1.11	1.03	1.0264	1.0264	1.0264	1.0264	1.0264

Country	Base	6
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market report/shares

DATA BANK

FT-SE 100

3681.9 -25.1

FT-SE 250

4296.5 -7.8

FT-SE 350

1854.0 -10.6

SEAO VOLUME

703m shares,

4,461 bargains

Gilts Index

92.30 +0.15

SHARE SPOTLIGHT

share price, pence

1800

Thorn EMI

1700

1600

1500

1400

1300

S O N D J F M

Source: Datastream

BSE begins to eat away at dairy and food sectors

BSE is beginning to eat away at equities. The stock market has been inclined to shrug off the damaging implications of the disaster, content to mark down the shares of the most obvious casualties.

But there is now evidence of much deeper worries. Dairy and food shares are coming under increasing pressure and the market is fretting about the impact the beef crisis is likely to have on the Government's already stretched finances and, therefore, its election strategy and tax policy.

Almost every food group where there is a meat influence felt the weight of selling.

Dalgety lost 14p to 424p; Devro International 7p to 245p; Sentry Farming 14p to 159p and Wimpey 4p to 35p. Grand Metropolitan, the Burger King group, fell 4p to 450p and Sainsbury, a leading Burger King retailer, 3p to 85p.

Groups with extensive milk

interests also felt the tidal wave of alarm. Northern Foods collapsed 16p to 183p; Robert Wiseman 25p to 137p and Unigate 30p to 407p.

Waste disposal groups could benefit from any slaughter programme and Leigh Interests added 2p to 99p.

The FT-SE 100 index retreated 25.1 points to 3,681.9, with dividend payments accounting for nearly 12 points of the fall. The supporting index gave up its rip-roaring run to close with a 7.8 fall to 4,396.5.

Government stocks made progress, seemingly on the back of the Government's decision to make no new moves to curb beef sales. Gains of around a point were recorded in late trading.

Thorn EMI provided the day's takeover flutter. The shares jumped 15p to 1,683p on talk that the proposed music and rental demerger

will be scuppered — by a bid for the group. US giant Time Warner was said to be the name in the frame, prepared to offer £22 a share.

Although the story lacked conviction, some were prepared to give it more than passing interest. Thorn is not far off its 12-month high and there is little doubt that anyone prepared to bid for the combined group would steal a march on the rumoured array of entertainment groups queuing to buy Thorn's music side.

But the suggested £22 a share offer is well ahead of many break-up valuations, which average £20.

The Halifax £800m take

over of Clerical Medical left National Westminster Bank, rumoured as the buyer, unchanged at 647p, as the market took the view the bank may decide to soak up some of its cash pile through a share buy-back.

On the oil pitch Lasmo held at 184p. Salomon Brothers has moved its recommendation from buy to hold.

Glaxo Wellcome slipped 5p to 812p. The Nikko investment group believe the shares are oversold.

Zeneca fell 2p to 1,351p as a series of five-day-old late trades appeared on dealing screens.

Securicor had an active

time as it moved to give votes to all and tidy up its corporate image, leaving itself open to a bid, possibly from BT. The Securicor voting shares jumped 200p to 1,805p with the non-voters 67p higher at 1,055p. Security Services gained 65p to 1,050p.

Gathering talk of a BT/Cable and Wireless merger had a negligible impact. BT fell 3.5p to 339p, equalising its year-low, and Cable gave up 3p to 437p.

In escape, the international trader, survived its profit slump, dividend cut and boardroom upheaval to produce a 10p gain to 272p.

Mancheater United, top of Manchester United and with interim figures due today, jumped 28p to 266p.

Insurances were steady as Zeneca fell 2p to 1,351p as a series of five-day-old late trades appeared on dealing screens.

Securicor had an active

TAKING STOCK

Aberdeen Trust slumped 8.5p to 118p as Jupiter Lyndall takeover hopes evaporated. The German-controlled trust has sold a 13.93 per cent stake to Phoenix Home, a US insurance group, which will lift its interest to 28.23 per cent when loan notes are converted. Jupiter had aggressively lifted its interest to 29.32 per cent.

Irish Marine Oil is attracting attention. Since arriving on Oxfex at 4p in November, the shares have reached 23p. It is in the John Tengs stable, which has produced African Gold, at a 15.5p peak, and the Pan Andean blockbuster.

CrestaCare, a health-care group, edged ahead to 27p, reflecting director buying. James Capel, the stock-broker, looks for profits this year of £5m against £2.9m.

Share Price Data

Prices are in sterling except where stated. The yield is last year's dividend, grossed up by 20 per cent, as a percentage of the share price. The price/earnings (P/E) ratio is the share price divided by last year's earnings per share, excluding exceptional items.

Other details: Ex rights x Ex dividend as Ex at United Securities Market. Suspended pp Party Paid pm Nil Paid Shares.

Source: Firstcall

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UK Company News 02 Wall St Report 20 Electricity Shares 40

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For assistance, call our helpline 071 673 4275 (030am-5.30pm); Call cost 3pp per minute (cheep rate), and 4pp at all other times. Call charges include

Market leaders: Top 20 volumes

Stock	Share Price	Volume	Stock	Share Price	Volume
ASDA Group	200000	Hartree Credit 200000	Lodestar 70000	BT 550000	
BTR	200000	BP 200000	British Gas 500000	BP 60000	
BSR	200000	BP 70000	Rediffusion 60000	Hanson 500000	
BT	200000	BP 70000	Unilever 400000	Globe Welcome 400000	
Brooks Group	200000	BP 70000	Unilever 70000	Shal Tapco 400000	

FT-SE 100 index hour by hour

Open 37049 down 21 11.00 36938 down 128 14.00 36884 down 178

Close 36900 down 170 12.00 36852 down 133 15.00 36823 down 247

10.00 36819 down 253 Close 36819 down 253

Hunting for Perfection

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100% Lager Beer

<p

sport

CRICKET IN CRISIS: Part two of the Independent's investigation into the English game

Kick start needed for stalled system

Let me start with an anecdote. or maybe it's an analogy. I have an MG (chrome bumpers), which I cherish for its quintessential Englishness. Some years back I sent it to a garage, highly recommended by the MG clubs, for a major overhaul: new seats, reconditioned engine, new panels and paint. When it came back it looked the part, but it had not been tuned properly. The seats were loose, the clutch was damaged and dripping fluid, most frightening of all, the engine mounting had not been tightened. While to me that car meant something, to the so-called professionals it was just another job, and a job done poorly at that.

Now let us move on to county cricket, which provides the players for the England team. Like my MG it is an anachronism really: fine for the enthusiast and the connoisseur; in its element on the highways and byways of England but out of its league on the motorways.

English cricket, stuck in the slow lane too long for most people's liking, has needed re-building for years. Yet all that happens is a change of spark plugs in desperate days, so that the game can stagger on until the next breakdown. I would say it is too late now for reconditioning the old model if England are to be competitive in the new world of cricket. We need a brand new model, a structure that takes the game out of the hands of the counties and places it under a management with the intellectual vision and ability to ad-

minister a pyramid system that promotes excellence from age-groups upwards.

Unfortunately, and ironically given cricket's conservatism, achieving such a system will take a radical shift of Thatcherite dimensions. The professional counties would cease to operate as employers in their present form. They would become, at best, representative bodies within a national framework designed to bring the best cricketers for England. This would destroy county cricket as it has functioned since Victorian times, but as the Spanish-American philosopher George Santayana wrote: "Destruction is only the shady side of progress."

Now should representative cricket be played all summer-long. If the County Championship is an indicator, there is little demand for continual first-class cricket. The county game is a minor entertainment, followed at a remove from the grounds, and certainly no theatre could remain in business if its "audience" consisted primarily of those who followed plays, operas and the like only by reading the reviews.

Too much cricket is being played by the top players at all levels in England. At the MCC Festival in Oxford last July, a

number of the best schoolboy cricketers were below par, owing to the amount of cricket they had played earlier in the season. Injury and exhaustion prevented some of them from going on to the showpiece matches at Lord's.

I would argue, and have argued, that the great need is time in which to practise. Practice, as opposed to "nets", seems to be anathema to English cricketers, yet as Gibbon reminds us, the Romans realised "the imperfection of valour without skill and practice... they comprehended whatever could add strength to the body, activity to the limbs, or grace to the motions". Nor did age and knowledge get the veterans out of the daily repetition of what they had already learned.

Somehow I cannot see Ian Botham, touted in some quarters as English cricket's new Messiah, being a Gibbon man. Botham is no Bob Simpson or Bob Woolmer. It would be worth remembering that South Africa sacked their own unquenchable all-rounder, Mike Proctor, to bring in Woolmer. Even so, I can understand the attraction of a vibrant personality such as Botham. The old pantomime king would make a champion spark plug, and heaven knows our cricket has been dull, unimaginative and joyless since his retirement. Some might even say its very problem is its John Major Englishness. But it is good coaches, not caviar, that English cricket is short on. We have fallen back dreadfully in tech-

nique as well as attitude over the years.

In Mike Atherton, England have an intelligent cricketer, as well as a good one. But much has been asked of him. In 1988, when Atherton led England in the Youth World Cup, the Young West Indians were captained by Brian Lara, who is only West Indies' captain-in-waiting. Atherton, on the other hand, has already captained England through six and a lot of thin in six and a third Test series, plus the World Cup.

In that Youth World Cup, incidentally, England, with nine county players, lost to Australia twice (once in the semi-finals). India and Sri Lanka, so Atherton is probably captaining to his handicap. The tourna-

ment was won by an Australian side coached by Jack Potter, who established Australia's acclaimed academy.

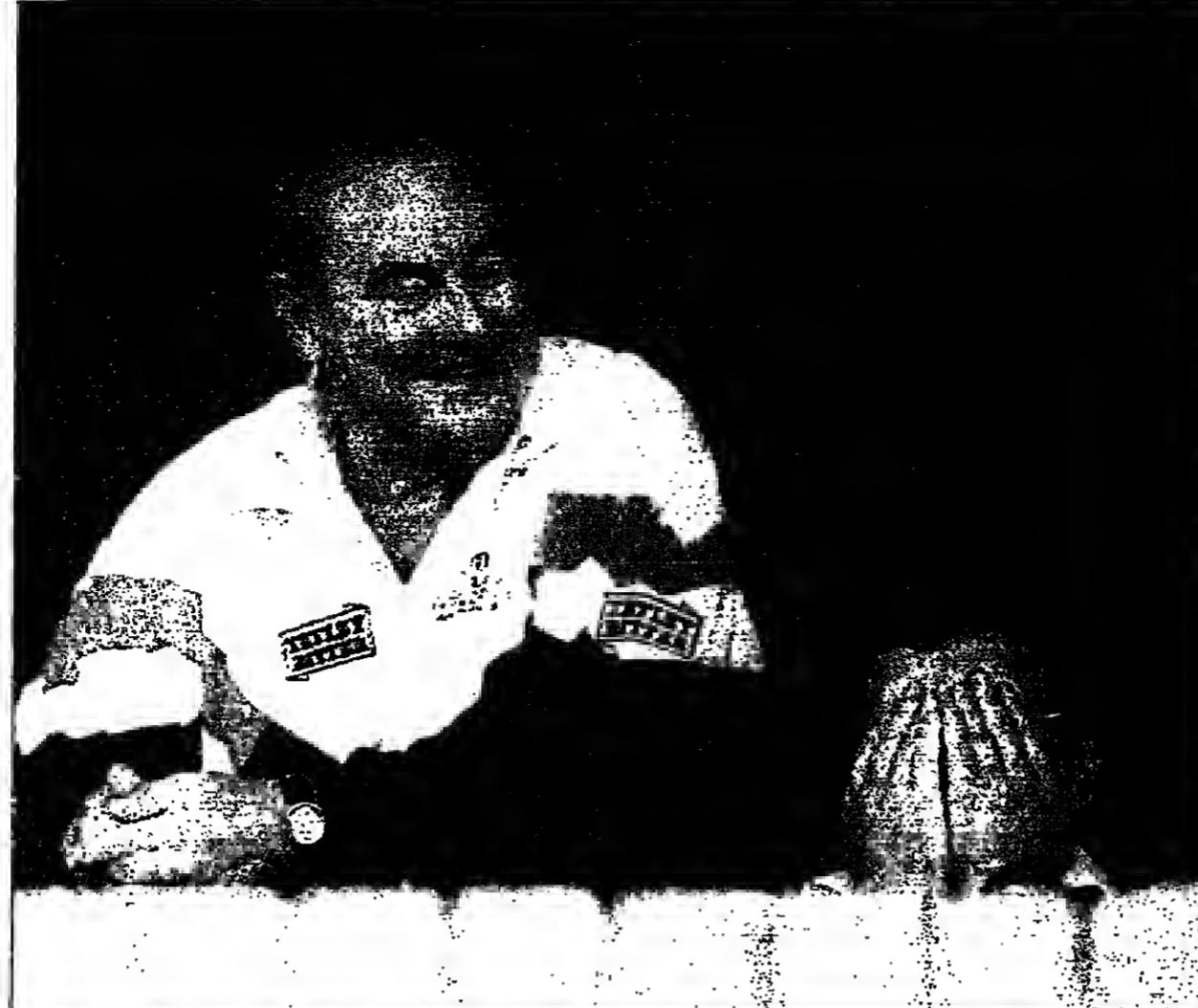
A glance at England's middle-of-the-road Under-19 record since then reinforces the case for a cricket academy. In 14 series against the other Test-playing countries, they have won five and lost six "Test" series and won six and lost five one-day series.

But any academy would be worthless if all it did was turn out young cricketers for a country system that has passed its usefulness. Reforming that is where the real challenge lies, and no one seems willing to grasp it.

Graeme Wright is a former editor of Wisden.

TIME FOR A REVOLUTION?

Graeme Wright



Grassroots give hope for future

WHAT'S WRONG WITH THE YOUTH OF TODAY?

Jon Culley

appears not to be facing extinction yet, bleak as the picture may be. Dunn said: "Much of the early talent is public school or prep school based, but I know that in my area, Hertfordshire, there are a lot of state schools playing and a lot of teachers willingly giving their time."

"If there are areas to be improved, one is the quality of coaching. There is an abundance of coaching and many dedicated, enthusiastic people in state schools as well as elsewhere. But it is not always good coaching."

It is an opinion with which the Nottinghamshire and former Lancashire coach, Alan Ormond, would broadly concur, although he has concerns over the development of young bowlers.

"The product on the batting side is excellent," he said. "But I feel we have to relook at the way we coach young bowlers. If we could get the coaching right at under-16 level, bowlers coming into the game would have more idea about getting batsmen out and it might just eliminate a lot of injuries."

Bowling is the hardest part of the game to coach and it depends on the quality of people involved. But since they were linked under a national development of excellence programme, the fruits of their labours have been pooled to such good effect that Young England sides up to under-19 level are a match for any in the world. This summer, countries competing in the inaugural Lombard World Challenge, an under-15 world cup, will envy this country's productive grassroots.

On the whole, cricket at youth and schools level is very healthy," Mike Dunn, one of the NCA's regional development officers, said. "It is not perfect, but we have a much better system than we once did."

Over the last three or four years there has been an explosion of cricket. Previously the secondary schools and ESCA were the first points of contact for young players but the clubs have brought their influence to the fore, running junior sections even down to under-nine level."

This has come about despite the huge erosion in cricket played in state schools, although the game at that level

is, essentially, functioning well, the matter of why it appears not to breed winning Test teams remains an unanswered question.

Ormond's belief is that technique is not the problem. "If you want to be hit-picking about technique, you could look at players from all countries and find flaws in the way they play," Ormond said. "I'm inclined to think it is an attitude problem. Players want to be successful as individuals but maybe they are not determined enough, in the team sense, to win matches."

Given hope by Republic

French co

Basketball

Bowls

Cricket

Football

Hockey

FRANCE

* SPAIN

* BULGARIA & ROMANIA

* NORTH AMERICA

* SWITZERLAND

* SCOTLAND

* GERMANY

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* SPAIN & ANDORRA

* NORTH AMERICA

* SWITZERLAND

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* GERMANY

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* SWITZERLAND

THE INDEPENDENT

TABLE OF TEST CRICKET

THE ONE-DAY WORLD

There is no definitive assessment of the relative positions of the Test-playing nations, but the Independent's Table of Test Cricket is the most complete regularly updated study. Produced at the end of each calendar year, the 1995 table (below) shows England in sixth place of the nine Test nations, well behind the five teams above them, and only marginally ahead of Sri Lanka. Since the table was compiled England have lost the Test series in South Africa.

Home

Matches	P	W	D	L	Pts	Ave
Australia	46	24	13	6	5	770
Pakistan	32	12	5	5	350	
West Indies	28	12	6	3	360	
South Africa	19	10	4	5	230	
India	24	9	5	3	310	
England	39	26	6	8	460	
Sri Lanka	25	11	1	6	170	
New Zealand	29	13	2	4	1385	
Zimbabwe	11	8	1	4	130	

Away

Matches	P	W	D	L	Pts	Ave
Australia	22	9	8	5	1220	
Pakistan	12	7	4	7	1060	
West Indies	16	6	4	4	840	
South Africa	9	3	4	2	460	
India	15	4	6	4	640	
England	13	4	3	6	520	
Sri Lanka	14	3	6	5	540	
New Zealand	16	2	7	7	480	
Zimbabwe	3	0	1	3	133	

Series

Matches	P	W	L	Bonus	Points
Australia	12	7	3	11.66	99.14
Pakistan	12	5	7	11.00	98.11
West Indies	9	5	3	11.11	93.81
South Africa	6	3	3	10.00	88.46
India	10	4	6	9.44	82.55
England	13	4	3	8.67	82.38
Sri Lanka	14	3	6	8.50	82.25
New Zealand	16	2	7	8.13	82.00
Zimbabwe	3	0	3	2.67	81.33

The following table covers all one-day internationals played in the five-year period since the beginning of the 1991 English summer season:

Year	P	W	L	NR	Time	Per.
1991-92 (2nd)	100	53	35	2	1: 16.30	63.00%
1992-93 (3rd)	115	62	47	1	2: 16.30	53.81%
1993-94 (2nd)	95	51	41	2	2: 16.30	52.63%
1994-95 (2nd)	123	57	66	2	2: 16.30	52.08%
1995-96 (2nd)	82	30	52	2	2: 16.30	50.00%
1995-96 (3rd)	82	24	57	0	2: 16.30	50.00%
1995-96 (4th)	82	21	61	0	2: 16.30	50.00%
1995-96 (5th)	82	17	65	0	2: 16.30	50.00%
1995-96 (6th)	82	13	69	0	2: 16.30	50.00%
1995-96 (7th)	82	10	72	0	2: 16.30	50.00%
1995-96 (8th)	82	7	75	0	2: 16.30	50.00%
1995-96 (9th)	82	4	78	0	2: 16.30	50.00%
1995-96 (10th)	82	1	81	0	2: 16.30	50.00%
1995-96 (11th)	82	0	82	0	2: 16.30	50.00%
1995-96 (12th)	82	0	82	0	2: 16.30	50.00%
1995-96 (13th)	82	0	82	0	2: 16.30	50.00%
1995-96 (14th)	82	0	82	0	2: 16.30	50.00%
1995-96 (15th)	82	0	82	0	2: 16.30	50.00%
1995-96 (16th)	82	0	82	0	2: 16.30	50.00%
1995-96 (17th)	82	0	82	0	2: 16.30	50.00%
1995-96 (18th)	82	0	82	0	2: 16.30	50.00%
1995-96 (19th)	82	0	82	0	2: 16.30	50.00%
1995-96 (20th)	82	0	82	0	2: 16.30	50.00%
1995-96 (21st)	82	0	82	0	2: 16.30	50.00%
1995-96 (22nd)	82	0	82	0	2: 16.30	

sport

Palmer outburst fuels Leeds crisis

Football

PHIL SHAW

Leeds United had hoped to be passing the Coca-Cola Cup yesterday. Instead, in the wake of Sunday's crushing defeat by Aston Villa at Wembley, they were a club in crisis, with Carlton Palmer criticising his team-mates - and... Tomas Brodin declaring his wish to leave.

At the start of transfer deadline week, there was a distinct whiff of burning bridges about Palmer's outburst. The former England midfielder, a £1.7m signing from Sheffield United two days ago, said: "In my opinion, the lack of effort shown by professional players

Given handed chance by Republic of Ireland

Shay Given, the teenage goalkeeper, will be handed his first cap by new Republic of Ireland manager, Mick McCarthy, against Russia at Lansdowne Road tomorrow.

While Given, 19, embarks on the first steps of an international career, Ally McCoist, the veteran Scottish striker, will join a select band of players who have won 50 caps when he plays against Australia at Hampden Park on the same night.

Given was pulled out of the Irish Under-21 squad after the Sheffield United goalkeeper Alan Kelly announced he had a back injury and McCarthy said: "Shay has impressed me very much in training and I certainly would not be worried about putting him in."

Given, who started the season as Blackburn's third-choice

goalkeeper, is excelling on loan with First Division leaders Sunderland and has kept 11 clean sheets in his last 14 games for the Roker Park club.

McCarthy has been blighted late withdrawals from his 24-man squad. Ray Houghton, Denis Irwin and John Sheridan are the latest casualties following the Liverpool defender Phil Babb and the Portsmouth midfielder Alan McLoughlin.

McCoist becomes the 18th member of the Scottish Football Association's "Hall of Fame" for players who have hit the century and it will be his first start since breaking his leg in a 5-0 defeat by Portugal three years ago.

Craig Brown, the Scotland manager, insists the selection of McCooist, who will be captain for the night, is not sentimental. Instead, the 33-year-old is playing for a place in the summer's European Championship squad.

France's coach, Aimé Jacquet, who has ignored both Cantona and Newcastle's David Ginola for the friendly with Belgium on Wednesday, watched the Manchester United play-on television as the Old Trafford side extended their lead over Newcastle at the top of the Premiership to three points with a 1-0 victory over Tottenham yesterday.

Cantona scored his fifth goal in five matches and is threatening to steer United to their second Double in three seasons. Jacquet is set to recall him for the international against Finland at the end of May.

The news for Germany is far less encouraging. They face the

proverbial swan-song as a Leeds player. The £4.5m recruit from Parma said: "I don't know where my future lies now. I wanted to play on Sunday, but the manager thinks his way and I think mine. Perhaps we should go our separate ways."

Brobin added: "I have to go away and think about my future and whether I want to play for Leeds. The way I feel at the moment, I think I must try to find another team."

Leslie Silver, the Leeds chairman, pointed out that Brodin is under-contract to the club and suggested it might help if he "talked less and played more". Brodin has a get-out clause with Leeds whereby he can leave if the club receive an offer of a pre-determined figure.

Silver said that both Wilkinson and his wife had been "deeply hurt" by the criticism, but intimated that the Leeds manager is intent on riding out the current turmoil. Leeds, 12th in the Premiership, play Mid-striders at home on Saturday.

Brian Laws, the Grimsby manager, has finally been charged by the Football Association, six weeks after the alleged dressing-room incident that left Ivano Bonetti nursing a fractured jaw.

The club, who resisted pressure for Laws' resignation, reportedly fined him two weeks' wages after he publicly made his peace with the injured player. However, after receiving Bonetti's version of events, the FA is now to take disciplinary action.

Charlton have tabled a £500,000 offer for the Bolton striker John McGinnity. Birmingham are close to signing Swans's Welsh midfielder John Cornforth for £350,000, while the Middlesbrough striker Paul Wilkinson is having talks with Portsmouth.



Jennifer Capriati plays a volley in her defeat of the 10th seed, Amanda Coetzer

Photograph: AFP

Money is not main thing for Greening

Rugby Union

DAVID LLEWELLYN

Gloucester's talented young hooker, Phil Greening, is on the verge of turning down an offer of £170,000 over two years to join Rob Andrew's Second Division Newcastle. Greening, who has three England A caps, rejected an earlier Newcastle bid of £75,000 per year for his services.

Greening, 20, who has three England A caps, said: "I'd rather play for Gloucester for 10p than go to Newcastle for £25,000. It means going away from home and leaving everyone at the club."

"I've talked to Richard Hill [Gloucester's director of coaching] and we have come to the conclusion that it would be best for my England prospects if I stayed here."

The Bristol University and England A stand-off, Alex King, has reached the same conclusion.

The 21-year-old is expected to sign for Gloucester this week. Tim Simpson, 22, is being courted by Newcastle and Sale.

The Rugby Football Union and its leading clubs made some progress on how to administer the professional game, and who gets what in it, yet another meeting in London yesterday.

But a joint statement issued afterwards noted that there were still "clear differences" to be resolved. The two sides intend speedily to meet again, possibly this week. The RFU is understood to have accepted the clubs' wish for a 12-team English First Division next season.

Yesterday negotiators – the RFU represented by Cliff Brittle, executive chairman, and Tony Hallatt, secretary, with Donald Kerr of Harlequins heading the English Professional Clubs delegation – discussed specific differences, including competition structure, player contracts and management organisation.

SWALEC CUP Semi-final draw: Lancashire v Northants (Tues) to be played Pont-Sainte-Maxence 23 April.

Alan Watkins' column will appear in tomorrow's paper

Edberg edges back to form

Tennis

JOHN ROBERTS
reports from Key Biscayne

Stefan Edberg's world ranking had dipped as low as No 52 when he arrived for the Lipton Championships here. This situated the former No 1 between two British players, seven places below Greg Rusedski and six above Tim Henman.

While the Lawn Tennis Association is entitled take encouragement from the progress Rusedski and Henman have made, there is little doubt that the 30-year-old Edberg has rushed down to meet them during his farewell season on the tour.

Currently only one place above his year-end ranking in 1983, when he was a novice professional ready to stake a place in the top 20 for 13 years, Edberg had not been helped by a wrist injury, which may require surgery. "I've had problems with the wrist for five months," he said. "If it doesn't improve I

might have to have injections, and possibly even an operation."

In the circumstances, it is a minor triumph that the former Wimbledon champion has managed to string together three consecutive wins at the first time since last summer.

Yesterday, defeated Nicolas Pergola 6-4, 6-2, three days earlier the Venezuelan contributed to Thomas Muster's misery by eliminating the world No 1 in his opening match.

Edberg can empathise with Muster to an extent. On the last occasion the Swede encountered Pergola, in 1989, he was knocked out in his opening match at the Stella Artois Championship in London.

They were militating circumstances. Edberg had just arrived from Paris after losing to Michael Chang in the French Open final – having accounted for Pergola in straight sets in the second round. Moreover, he recovered in time to advance to the Wimbledon final, losing to Boris Becker.

"Today I hit the winners like a normally do when I'm serving well," he said. "It's very little that makes the difference. The way I played today was the way I've been playing in practice. I've been playing in practice, I've had a little tight in matches."

There was no indication of nervousness as Edberg went about his business, attacking Pergola from the start. "It went pretty easy, especially in the second set," the Swede said. "After I got the break, he fell apart a little bit. I was a lot sharper today than in the other two singles matches."

So how is enjoying his year so far? "Tennis-wise, it could have been a lot better. But the crowds have been very positive, I feel. The key issue is to produce good tennis out there."

In the women's singles, Anke Huber and Kimiko Date advanced to the quarter finals with straight set wins. Huber, the No 3 seed, defeated Austria's Judith Wiesner 6-4, 6-4, and the fifth-seeded Date eliminated Silvia Farina, of Italy, 6-2, 6-2.

7

Australian talents eye Britain

Rugby League

DAVE HADFIELD

Leading Australian players are said to be ready to fly to Britain to continue their careers after plans for their own Global League competition were blocked yesterday.

The ruling in the Federal Court in Sydney that Rupert Murdoch's News Corporation can only continue to pay the 311 rebel players if they return to the

Australian Rugby League's Optus Cup means the end of that attempt to find a loophole in the court's decision that Super League in Australia cannot start before the year 2000.

News Corporation's chief executive, Ken Cowley, has advised the players to return to the ARL, and the players at all clubs – apart from the Canberra Raiders, who meet today – will do so, albeit reluctantly.

However, some of the highest profile players, such as Canber-

ra's Laurie Daley and Ricky Stuart, have made it clear that they would rather play Super League in Britain than stay in Australia under those circumstances.

European Super League's chief executive, Maurice Lindsay, in Sydney trying to help set up Global League, said he had been "besieged by scores of top Australian players" who were willing to travel to Britain. He has told them to follow Cowley's advice, however, and return to the ARL competition.

Newcastle branch out

Basketball

Club and the Wasps ice hockey team.

Sir John Hall has expanded his North-east sporting empire by snapping up Newcastle Comets basketball team. The deal, which will take two weeks to complete, will mean a change of name and team colours for the Premier League side.

7

They will become part of the Newcastle United Sporting Club alongside the Premiership football team, Newcastle RU.

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SPORT

Modahl claims 'historic' victory

Athletics

MIKE ROWBOTTOM

The decision announced yesterday by the International Amateur Athletic Federation that the doping case against Diane Modahl was being dropped was described by the athlete's husband and coach Vicente as being of vital importance to all other athletes.

"I think this is one of the most significant days in athletics history for the last 20 years," Vicente said, "because it's the day when athletes all over the world will have a safe future with the dope testing system. It will be tightened up in a major way after this."

Modahl had fought doping

charges for 18 months after being sent home from the 1994 Commonwealth Games when it was announced that she had tested positive for a huge testosterone level after a minor meeting in Lisbon in June of that year.

She was banned for four years by a British Athletics Federation panel in December 1994, but the BAF reversed the decision on appeal last September and the IAAF accepted that poor storage and procedure by the Lisbon testing laboratory cast serious doubt on the outcome.

"Vicente pointed towards me, and I thought: 'Oh God. It's something terrible.' But then he shouted out: 'Yes! Yes! We won!' For a few seconds it was great. It is a tremendous relief."

The Modahls learned of yesterday's decision at their Albuquerque training base through

a phone call from Istvan Gyulai, the IAAF general secretary. "He said he wanted to be the first to tell us that Diane was free," Vicente said. "It is a fantastic achievement. We produced convincing evidence in a new area which convinced both national and international authorities. I think we have done something incredible."

Diane, who was at Vicente's side when the call came through at just after 10 in the morning local time, was initially confused about the outcome. "Vicente pointed towards me, and I thought: 'Oh God. It's something terrible.' But then he shouted out: 'Yes! Yes! We won!' For a few seconds it was great. It is a tremendous relief."

The Modahls learned of yesterday's decision at their Albuquerque training base through

"We had both expected the decision on Sunday from the IAAF, so it meant two sleepless nights for us," she added. "The waiting was traumatic, it was terrible. Vicente sat up in the living room all night last night. I was walking up from time to time and asking: 'Is that the phone? Is that the phone?'

Modahl planned to celebrate the decision with a run in the park which adjoins their apartment block. "It will be a very exhilarating run for me," she said.

For Vicente, who has been a firm source of strength for her throughout her campaign, the run also promised much. "I think even I have a chance of getting even 800 metres record today," he said.

Modahl's testosterone to epitestosterone level was said by the Lisbon laboratory to be way over the legal limit of 6:1 at 42:1. The ratio involved when Ben Johnson was banned for life in 1992 was 10:1.

Despite a prolonged initial rejection of the decision, the IAAF has now given Modahl unequivocal clearance to prepare for the Olympic Games, and she is committed to running in the British trials.

The IAAF had taken into account independent scientific evidence provided on Modahl's behalf showing that testosterone could be created within urine samples which were not stored at a correct temperature in a refrigerator.

When the standard second test was performed on Modahl's sample, it was acknowledged by the IAAF that it had suffered degradation as a result of the laboratory's contents having to be shifted temporarily from the building.

Gyulai revealed that Portuguese authorities refused permission for further analysis of the remainder of Modahl's sample.

"While the IAAF council believed that further analysis of the sample could have provided a final resolution of the matter, it was not possible to pursue this course and therefore a serious element of doubt existed," the statement added.

A statement read by Istvan Gyulai, the IAAF secretary, said: "It was found that the Lis-

bon laboratory had not conducted the additional analysis necessary for clarifying the doubts which were raised at the BAF hearing and that the analytical data were not satisfactory."

Gyulai revealed that Portuguese authorities refused permission for further analysis of the remainder of Modahl's sample.

"While the IAAF council believed that further analysis of the sample could have provided a final resolution of the matter, it was not possible to pursue this course and therefore a serious element of doubt existed," the statement added.

Despite the fact that Modahl is suing the BAF to recover the estimated £500,000 she has

spent on her case, the BAF spokesman, Tony Ward, welcomed the 1990 Commonwealth Games 800m champion back as an Olympic contender.

"Apart from the impact made by Kelly Holmes, the 800m has not really moved on in the last couple of years and there is clearly an opening," Ward said.

Venables vouches for Fowler's flair

Football

GLENN MOORE

Robbie Fowler, timing his arrival like a late run into the penalty box, may tomorrow get the chance to claim a place in Terry Venables' Euro 96 line-up.

The prospect of the Liverpool striker making a much-anticipated international debut shortened yesterday when Alan Shearer missed England's training session with a groin injury. With Les Ferdinand struggling for form, and Teddy Sheringham nursing a calf-muscle injury, Fowler could be centre-forward again for Bulgaria at Wembley.

Shearer's injury is one way for Venables to try another striker without appearing to drop his favoured forward, who is without an international goal for 10 starts and 18 months. If Fowler starts, he would become Venables' 21st debutant in 16 starts.

"I would have no worries about playing him," Venables said. "When he came on in the B international against Ireland he looked like an old-timer; no nerves, just thinking about scoring goals. He has looked very good in training."

Fowler, 20, is equally upbeat. "I have always been a confident lad and I feel I can score goals for England," he said.

Fowler made his Liverpool debut in a Coca-Cola Cup tie at Fulham in September 1993. He marked it with a goal but recently announced himself in the second leg when he scored five.

Fowler has a dispassionate attitude to goal-scoring. He has

hit 79 for Liverpool but keeps no records or videos, has no favourite, nor practices his celebration. Not that he does not enjoy it. "I just go mad when I score," he said.

Venables' other main selection problem concerns David Platt. The captain has not been available since the Umbro Cup, during which time the likes of Jamie Redknapp and Rob Lee have laid claim to his place while Paul Ince has been recalled. "I am back on top of my game and will be disappointed if I am not picked," Platt admitted.

Along with Shearer and Sheringham, Steve Stone and Rob Jones also missed training. An X-ray on Stone's foot injury revealed only bruising while Jones has a back problem.

Those who did train spent much time working on defensive permutations but the attention, as ever, was drawn to Fowler as he repeated the audacious chip he attempted at Nottingham on Saturday, and again hit the crossbar.

Looking on approvingly was another Merseyside goalscorer, Dixie Dean. Poster-sized replicas of Dean and four other deceased footballers (Bobby Moore, Billy Wright, Danny Blanchflower and Duncan Edwards) formed a backdrop to training to commemorate a new Royal Mail stamp issue. Dean scored 18 goals in 16 England appearances. If Fowler, an Evertonian by birth, manages half as good a rate he will be set for a long international career.



Fowler to the fore: The Liverpool striker demonstrates his shooting ability to admiring England team-mates yesterday

Photograph: David Ashdown

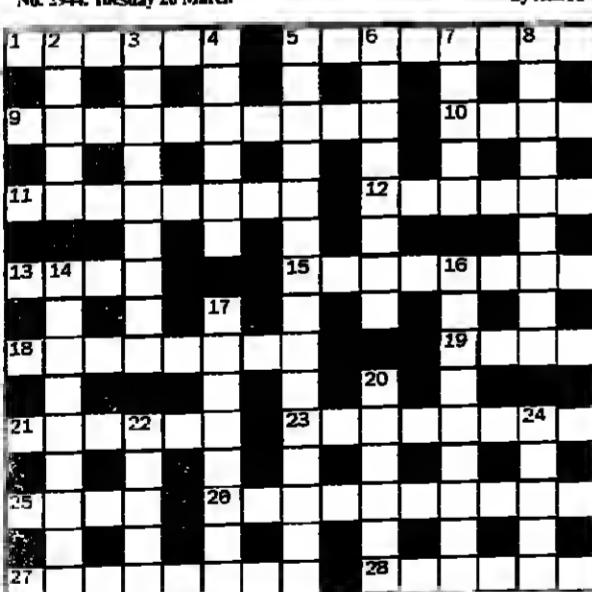
THE INDEPENDENT CROSSWORD in association with



No. 2944, Tuesday 26 March

By Aslred

Monday's Solution



ACROSS

- Communists seized power after one returned from rest. (6)
- Moving organisation on road see refuge for animal (8)
- Black group gets money, good for high-living? (3-7)
- Suppresses jokes (4)
- Film should be not open to the public? (2,6)
- It's to be made up into shelter on street? (6)
- Equipment's hack to front in burlesque (4)
- Tire when struggling to limit champion's unavoidable choice (6-2)
- Modest changes by one conservative in the home (8)
- Interview Germany's top tennis player (4)
- Woman's absent having left one lad (6)
- Bread delivery? (4-4)
- Notion which falls short of being perfect? (4)
- Hateful high cost includes popular article by the French (10)
- Colour of bird secures consent (3-5)
- Order about, in power of dictator? (6)
- Smarten up, about to be taken into US prison? (5)
- Remove underworld status of person (9)
- Swine has its foot trimmed at the top (6)
- Perhaps no actor could portray Popeye? (8,7)
- Note, after a pistol is raised, one'll have to exercise control (8)
- Volume attracts complaint that's not specific (5)
- Manipulate graduate's part in performance (9)
- Information of King's present resting place (9)
- Could be a sitter for profit to achieve? (4,5)
- Wise man retains tenor of a bygone period (5-3)
- In political pact a Liberal prevaricated? (6)
- Make criticism about new common mode of speech (5)
- I call out for flowering tree (5)

18

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37 I call out for flowering tree (5)

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ishing rules apply. Editor's decision is final. Winners names can be obtained by sending an SAE to - Charles Wells Crossword, Unit A, Bowes House, St Peters Road, Maidenhead SL6 7QJ

Fans snub Wembley evening

England are at home - and the pubs are full. Despite an advertising campaign aimed at enticing fans away from the bar and into the ground, the twin towers will be looming over 50,000 empty seats tomorrow night, writes Glenn Moore.

Wembley expect 25,000 fans to watch England play Bulgaria. The Football Association hope for 5,000 more. This figure, regularly exceeded by half the Premiership, is unlikely to be reached, making tomorrow's friendly the fifth sub-30,000 crowd in six England games.

That only Brazil have broken the barrier underlines the fact that most fans are no longer interested in watching England at Wembley.

Even Bulgaria, World Cup semi-finalists and boasting the likes of Hristo Stoichkov, cannot overcome the perceived

triple whammy of high prices, poor location and ancient facilities.

Having locked themselves into a restrictive contract the FA can do little about the latter two factors, but they can move on price. Tomorrow night tickets are on sale for £13-£45. One dreads to think what the view is like for £13. As for the higher prices: Two together? Most fans cannot afford one between two.

There is a school of thought within the FA which argues that radical pricing changes are required. "A kid a quid", as some Endsleigh League clubs have done: or £10 every seat. Unfortunately this view does not hold sway on the Match and Grounds' committee, whose view is that price cuts would set a damaging precedent and fans will expect to watch the likes of

Italy in the World Cup on the cheap.

This is ludicrous. A one-off tenner-a-ticket offer could act as a loss-leader (not that anyone would lose money), restoring the habit of going to see England and creating a vibrant atmosphere. It would also compensate those who cannot afford the high Euro 96 prices...

The FA are constantly banging on about acting for the good of the game. In an age of exponentially rising seat prices this is their chance to set an example.

We all know we are not going to get it," Terry Venables

said yesterday. "All I can do is get the best possible opposition and put together the best possible squad. I cannot do anything more than that." His bosses can, and should.

Surrey seeking support

Cricket

DAI LLEWELLYN

Surrey are still trying to oust Ray Illingworth from his post as the chairman of the England selectors, and last night were in the process of soliciting support from the other first-class counties with a view to making their feelings known when the Test and County Cricket Board executive committee meets at Lord's today.

And while most of Illingworth's critics remain resigned to his reappointment following David Graveney's withdrawal from the election on Friday, an indication of the strength of the opposition is their belief that had the vote gone ahead Graveney would have scraped by by a majority of one. A straw poll by one of the counties found Graveney winning 10-9, with one of the 18 first-class counties plus one each from MCC and Minor Counties abstaining.

Surrey yesterday canvassed the 17 other counties as they attempted to gauge the level of unhappiness. Mike Soper, the

Test series to South Africa and we were humiliated in the World Cup. What else are we supposed to do? This is not going to go away. With a bit of luck we may be able to force the TCCB's hand sometime this season."

"And if we are going to find at the end of the year — since Illingworth has said he will not tour again — that we are going to change, then whoever comes in is going to do so cold, facing a tour to Zimbabwe and New Zealand."

Soper feels that with India and Pakistan touring England this summer a new man should be appointed at the latest to take charge for the Pakistan series. "Then at least he would be given a chance to experiment with a new squad, or a new idea. I care about English cricket, and if we don't do anything we are just going to lurch to another problem. I don't want England to do badly this summer, but we all know that everybody in the world is getting better and we are not."

"By his own admission Illingworth said, 'I'm in charge. This is where the buck stops.' We lost six out of seven one-dayers and

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